No. (1)

Supreme Court, U.S.
FILED

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Supreme Court of The United States

OFFICE OF THE CLERK

October Term, 1998

P.C. FILMS CORP.,

Petitioner,

- against -

MGM/UA HOME VIDEO INC.,
MGM/UA COMMUNICATIONS CO.,
WARNER HOME VIDEO, INC.,
TURNER ENTERTAINMENT CO,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

PETITION FOR A WRIT OF CERTIORARI

CARL I. KAMINSKY
Counsel of Record
LAW OFFICES OF CARL I. KAMINSKY
Attorneys for Petitioner
295 Madison Avenue - Suite 1700
New York, New York 10017
(212) 599-0457

September 22, 1998

Appeal Press - (914) 761-3600 (212) 267-6602 (516) 872-1110 (6104)

104pp

QUESTIONS PRESENTED FOR REVIEW

1. Should this Court resolve the conflict amongst the Circuits with respect to the creation of contractual rights, obligations and duration by private parties which evade and erode art. I, § 1, cl. 8 and art. VI, cl. 2 of the Constitution and applicable copyright statutes?

2. Should a perpetual duration of copyright rights be pre-empted from the inception of the contract signed in 1960?

3. If a contractual perpetual duration of copyright rights is in violation of art. I, § 8, cl. 8 and art. VI, cl. 2 of the Constitution, should perpetual duration be evidence of intent to allow a licensee to exercise copyright rights during the renewal term?

4. In determining the duration and nature of a copyright right, should the court apply constitutional provisions, copyright law, and copyright policy rather conflicting contractual provisions and state canons of interpretation of contracts?

5. If a duration of perpetual copyright rights licensed by a licensor to a licensee pursuant to a contract is unlawful because of art. I, § 8, cl. 2 of the Constitution, should a District Court, sitting in diversity, determine whether the contract under state law is void or voidable because the licensee has no obligation to pay perpetual royalties?

LIST OF PARTIES

The parties to the proceeding are:

Petitioner: P.C. Films Corp. (Parent: Ocean Stream Investments Limited; no nonwholly owned subsidiaries)

Respondents: Turner Entertainment Co., MGM/UA Home Video, Inc., MGM/UA Communications Co., and Warner Home Video, Inc.

TABLE OF CONTENTS

Page

Questions Presented for Review i

List of Parties ii

Table of Contents iii

Table of Authorities vii

Petition For A Writ of Certiorari
Preliminary Statement 1

Opinions Below 1

Jurisdiction 1

District Court's Jurisdiction 6,33a

Constitutional Provisions Involved 2

Statutes Involved 2

Statement of the Case 4

Reasons for Granting the Writ 7

I. All References To A Perpetual Duration of Copyright Rights In Contractual Language Should Be Pre-empted Because Of The Conflict With The Copyright Patent Clause And The Supremacy Clause Of The Constitution And The Applicable Copyright Act 7

A. Constitutional and Statutory Background . . 7

Page

B. The Second Circuit Should Have Pre-empted All References To A Perpetual Duration Of Copyright Rights Including The Use Of Such Perpetual Duration As Evidence Of Intent To Give Respondent Turner The Copyright Rights During The Renewal Term 10

C. The Conflict With The Ninth Circuit 13

D. The Conflict Amongst The Circuits 14

II. The Pre-emption Of All Conflicting References To A Perpetual Duration Means The Substitute Of Copyright Law And Policy With Respect To The Renewal Term Of Petitioner's Copyright 16

III. The Second Circuit Improperly Minimized That P.C. Films Was The Sole Party To Renew The Copyright 17

IV. The Perpetual And Exclusive Distribution Right Was A Common Law Contractual Right 19

V. The Second Circuit Should Have Remanded The Declaratory Judgment Claim To The District Court To Determine Whether The Basic Agreement Was Voidable Under New York Law

Conclusion 23

APPENDIX

Court of Appeals Order dated June 24, 1998 . . . . . 1a

Page

Court of Appeals Order
dated February 23, 1998 ..... 2a

Decision of the Court of Appeals
dated February 23, 1998 ..... 4a

Opinion and Judgment of the District Court
dated January 30, 1997 ..... 14a

Judgment of the District Court
dated February 18, 1997 ..... 25a

Order of the District Court
dated March 14, 1997 ..... 26a

Judgment of the District Court
dated March 18, 1997 ..... 27a

Copyright Act of 1909:

17 U.S.C.§ 1 (rep. 1976) 28a
17 U.S.C.§ 5 (rep. 1976) 29a
17 U.S.C.§ 24 (rep. 1976) 29a
17 U.S.C.§ 26 (rep. 1976) 30a

Copyright Act of 1976:

17 U.S.C.§ 101(1996) 30a
17 U.S.C.§ 106(3)(1996) 30a
17 U.S.C.§ 117(1)(1996) 31a
17 U.S.C.§ 203(a)(1)(3)(1996) 31a
17 U.S.C.§ 301(a)(1996) 31a
17 U.S.C.§ 304(a) (1988) 32a

Complaint 33a

Application for Registration of a Claim to Copyright in a Motion Picture 37a

Assignment of Copyright to P.C. Films, Inc. 37a

Certificate of Registration - RE 448-607 . . . . . 39a

Certificate of Registration - RE 442-633 . . . . . 41a

Motion Picture Deposit Agreement dated September 4, 1962 amongst Librarian of Congress, Metro-Goldwyn Mayer, Inc. and Samuel Bronston Productions, Inc. 43a

Agreement between Metro-Goldwyn Mayer and Samuel Bronston Productions, Inc. dated August 4, 1960 . . . . . 46a

Exhibit "I" 52a

Exhibit "V" Mortgage of Chattels, Assignment and Pledge 60a

Deposition Excerpts of Benjamin Melniker 61a

Oral Argument Excerpts of Stephen Huff 65a

TABLE OF AUTHORITIES

Page

CASES:

Agee v. Paramount Communications, Inc.
59 F.3d 317 (2d Cir. 1995) 21

Agfa-Gevaert, A.G. v. A.B. Dick Company,
879 F.2d 1518 (7th Cir. 1989) 13

April Productions v. G. Schirmer,
308 N.Y. 366, 126 N.E.2d 283 (1955) 22

Aronson v. Quick Point Pencil Co.,
440 U.S. 257, 99 S.Ct. 1096 (1979) 9

Brullote v. Thys Co.,
379 U.S. 29, 85 S.Ct. 176 (1964),
reh'g denied, 379 U.S. 985, 85 S.Ct. 938
(1965) 11,22

Erie R.R. Co. v. Tompkins,
304 U.S. 64, 58 S.Ct. 817 (1938) 23

Eustis Mining Co. v. Beer, Sondheimer & Co.,
239 F. 976 (S.D.N.Y. 1917) 13

Feist Publications, Inc. v. Rural Telephone Service Co., Inc.,
499 U.S. 340, 111 S.Ct. 1282 (1991) 14,15

Fidelity Federal S. & L. Assn. v. de la Cuesta,
458 U.S.141, 102 S.Ct. 3014 (1982) 14

G. Ricordi & Co. v. Paramount Pictures, Inc.,
189 F.2d 469 (2d Cir. 1951),
cert. denied, 342 U.S. 849, 72 S.Ct. 77 (1951) 16,18

Page

Goldstein v. California,
412 U.S. 546, 93 S.Ct. 2303 (1973),
reh'g denied, 414 U.S. 883, 94 S.Ct. 27 (1973) . 8,14

Hunt Ltd. v. Lifschultz Fast Freight, Inc.,
889 F.2d 1274 (2d Cir. 1994) 13

Int'l Film Exchange, Ltd. v. Corinth Films, Inc.,
621 F.Supp. 631 (S.D.N.Y.1985) 18

Kewanee Oil Co. v. Bicron Corp.,
416 U.S. 470, 94 S.Ct. 1879 (1979) 9

Lasercomb America, Inc. v. Reynolds,
911 F.2d 970 (9th Cir. 1990) 15

Lear, Inc. v. Adkins,
395 U.S. 653, 89 S.Ct. 1902 (1969) 9

Manners v. Morosco,
252 U.S. 317, 66 S.Ct. 101 (1920) 16

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(1st Cir. 1932), *remanded*, 3 F.Supp. 66
(D. Mass. 1933) 22

Miller Music Corp. v. Charles N. Daniels, Inc.,
362 U.S. 373, 80 S.Ct. 702 (1960) 16

National Basketball Association v. Motorola, Inc.,
105 F.3d 841 (2d Cir. 1997) 11

P.C. Films Corp. v. Turner Entertainment Co.,
954 F. Supp. 711 (S.D.N.Y.1997),
aff'd, 138 F.3d 453 (2d Cir. 1998) . . . . . *Passim*

Page

ProCD, Inc. v. Zeidenberg,
86 F.3d 1447 (7th Cir. 1996),
rev'g, 908 F.Supp.
640 (W.D. Wis. 1996) 14

Rano v. Sipa Press, Inc.,
987 F.2d 580 (9th Cir. 1993) 13

Shedlinsky v. Budweiser Brewing Co.,
163 N.Y. 437, 57 N.E. 620 (1900) 12

Siegel v. National Periodical Pubs, Inc.,
508 F.2d 909 (2d Cir. 1974) 12

Sony Corp. v. Universal City Studios, Inc.,
464 U.S. 417, 104 S.Ct. 774 (1984),
reh'g denied, 465 U.S.1112, 104 S.Ct. 1619
(1984) 7

S.O.S. v. Payday, Inc.,
886 F.2d 1081 (9th Cir.1989) 12,14

Stewart v. Abend,
495 U.S. 207, 110 S.Ct. 1750 (1990) 16

Towne v. Eiser,
245 U.S. 415, 38 S.Ct. 158 (1918) 20

Turner v. Selznick,
1997 WL 820871 (C.D. Cal.) (1998) 16,18

Vault Corp. v. Quaid Software Ltd.,
847 F.2d 255 (5th Cir. 1988) 15

Viacom Int'l, Inc. v. Tandem Prods., Inc.,
368 F.Supp.1264 (S.D.N.Y.1974)
aff'd, 526 F.2d 593 (2d Cir. 1975) 16

Page

CONSTITUTION:

art. I, § 8, cl. 8 . . . . . passim

art. VI, cl. 2 . . . . . passim

STATUTES:

17 U.S.C. § 1(a), (b), (c), (d) (rep. 1976) . . . . . passim

17 U.S.C. § 5(l), (m) (rep. 1976) (Townsend Amendment, Act of August 24, 1912, ch. 346, 37 Stat. 488) 2,22

17 U.S.C. § 24 (rep. 1976) 2,10

17 U.S.C. § 26 (rep. 1976) 2,20

17 U.S.C. § 101 (1988), *amended in 1992 by* 17 U.S.C. § 101 (1996) 2,18,21

17 U.S.C. § 106(3) (1996) 2,21

17 U.S.C. § 117(1) (1996) 2,14

17 U.S.C. § 203(a)(1)(3) (1996) 2,13

17 U.S.C. § 301(a) (1996) 2,14,15

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Page

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Page

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2 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 8.11[A] (May 1998) 21

2 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 8.14[D][3] (May 1998) . . 22

3 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 10.10[F] and fn. 4.61 (May 1998) 16

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PETITION FOR A WRIT OF CERTIORARI
PRELIMINARY STATEMENT

Petitioner P.C. Films Corp. ("P.C. Films") petitions for a writ of certiorari to review the Judgment of the United States Court of Appeals for the Second Circuit which affirmed the Judgment of the United States District Court for the Southern District of New York denying a declaratory judgment adjudging that the agreement dated August 4, 1960 was terminated on December 31, 1989 and in connection therewith, the other claims were dismissed.

OPINIONS BELOW

The decision of the United States District Court for the Southern District of New York is reported in 954 F.Supp. 711 (S.D.N.Y. 1997). The decision of the Second Circuit Court of Appeals, affirming the District Court's judgment is reported in *P.C. Films Corp. v. MGM/UA Home Video, Inc., MGM/UA Communications Co., Warner Home Video, Inc., Turner Entertainment Co.*, 138 F.3d 453 (2d Cir. 1998).

JURISDICTION

The Judgment sought to be reviewed was entered on February 23, 1998.

This Petition is timely filed within 90 days of the denial by the Second Circuit on June 24, 1998 of Petitioner's Petition for rehearing.

This Court's jurisdiction to review the Judgment of the United States Court of Appeals for the Second Circuit affirming Judgments of the United States District Court for the Southern District of New York in favor of Petitioner is invoked pursuant to 28 U.S.C. §1254(1).

CONSTITUTIONAL PROVISIONS INVOLVED

art. I, § 8, cl. 8

The Congress shall have Power...To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

art. VI, cl. 2

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

STATUTES INVOLVED

§ 1(a), (b), (c), (d) of the Copyright Act of 1909. 17 U.S.C. § 1(a), (b), (c) and (d) (rep. 1976) **(28a)**

§ 5(l)(m) of the Copyright Act of 1909. 17 U.S.C. § 5(l)(m) (rep. 1976) **(29a)**

§ 24 of the Copyright Act of 1909. 17 U.S.C. § 24 (rep. 1976) **(29a)**

§ 26 of the Copyright Act of 1909. 17 U.S.C. § 26 (rep. 1976) **(30a)**

§ 101 of the Copyright Act of 1976, *amended in 1992 by* Pub. L. No. 102-563, § 2, 106 Stat. 4247 (1992). 17 U.S.C. § 101 (1988),*amended in 1992 by* 17 U.S.C.§ 101 (1996) **(30a)**

§ 106(3) of the Copyright Act of 1976. 17 U.S.C. § 106(3) (1996) **(30a)**

§ 117(1) of the Copyright Act of 1976. 17 U.S.C. § 117(1) (1996) (31a)

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§ 301(a) of the Copyright Act of 1976. 17 U.S.C. § 301(a) (1996) (31a)

§ 304(a) of the Copyright Act of 1976, *amended in 1992 by* The Copyright Amendments Act of 1992, Pub. L. No. 102-307, 106 Stat. 264 (1992) 17 U.S.C. § 304(a)(1988), *amended in 1992 by*17 U.S.C. § 304(a)(i)(A), (B) and (C) (1996) (32a)

STATEMENT OF THE CASE

The case involves the conflict of contractual provisions with the Federal Constitution and the Copyright Acts of 1909 and 1976 with respect to the duration and nature of the copyright rights and purported copyright rights licensed by the proprietor/employer for hire of the copyrighted work, to wit, a motion picture, to a licensee to exploit the work pursuant to an agreement.

On August 4, 1960, Bronston Productions, Inc. ("Bronston") and MGM Distribution Corp. ("MGM") signed an agreement (the "Basic Agreement"), providing for the production and financing of the motion picture "King of Kings" based on the life of Jesus Christ (the "Picture"), together with a license to exploit the Picture. Petitioner P.C. Films is the assignee of the copyright and the Basic Agreement. Respondent Turner Entertainment Co. ("Turner") is the successor in interest to MGM and the rights under the Basic Agreement through *mesne* assignments.

The key provisions of the Basic Agreement are as follows:

> 8. ... [W]e (MGM) shall retain in perpetuity the exclusive right to distribute the said motion picture throughout the world .... Such distribution rights shall include all the customary rights, which are more fully described in Exhibit "I" attached hereto, and all theatrical, non-theatrical, motion picture and television rights and all other such rights and you represent, warrant and agree that the distribution rights which Caribe Curacao, N.V. shall release to us upon the execution hereof..(48a)
>
> 11.....[W]e (MGM) shall be vested with the perpetual and exclusive right to distribute the said motion picture "KING OF KINGS" throughout the territories in which we acquire rights hereunder...which such distribution rights shall be

> as described in paragraph 8 above and which also include our exclusive right to the benefit and enjoyment, for all purposes, of all negative, positive and other material related to such motion picture within our said territory, it being agreed, however, that we shall acquire neither copyright proprietorship nor legal title in the said motion picture nor in any of said properties related thereto, including ownership of the negative..(49a)

In addition, paragraph 11 provided that if MGM was not distributing the Picture in any territory after twenty-one years from the general release of the Picture (October, 1961), or twenty-four years from the Basic Agreement (August 1960) whichever should first expire, then subject to certain recoupment provisions, Bronston was permitted to distribute the Picture through a third party for a three year period. All of Bronston's rights would have necessarily been exercised during the initial 28 year term of the copyright. (49a)

The distribution rights referred to in paragraphs 8 and 11 include all the rights which are described in Exhibit I. (47a,52a) Exhibit I consists of five sections, Section 1 (Provisions Relating to the Production of the Photoplay) (52a), Section 2 (Warranty and Indemnity Provisions) (52a), Section 3 (Provisions relating to Distribution of the Photoplay) (53a), Section 4 (Provisions relating to Gross Receipts and the Disbursement thereof) (58a) and Section 5 (Miscellaneous Provisions) (58a). Paragraph 1, Section 3 of Exhibit I of the Basic Agreement provided for the grant of copyright rights and other protection by contractual language which have no duration and did not refer to § 1 of the Copyright Act of 1909 which sets forth the statutory copyright rights of Exhibit I (53a). 17 U.S.C. § 1 (rep. 1976).

Bronston granted MGM a power of attorney to maintain copyright infringement actions; "...against any and all persons for the unauthorized or illegal use, copying, reproduction, release, distribution, exhibition or performance of the photoplay..." (53a)

The only reference to duration in the Basic Agreement was the term "perpetual" or "in perpetuity" in connection with the perpetual and exclusive distribution right (48a,49a). Bronston was to put a proper copyright notice in the main title designating Bronston as the copyright proprietor (¶9,55a). MGM had the right to take such measures with regard to MGM to register the copyright in the name of Bronston (¶9,55a).

MGM, without authority, included its name with Bronston in the requisite copyright notice for the purposes of releasing the work to the public. On September 4, 1962 MGM and Bronston signed a deposit agreement whereby MGM would save the costs of two prints.(43a) Thereafter, MGM prepared and signed a registration certificate claiming that MGM is a co-author of the Picture. (37a)

The Picture was published on October 30, 1961. (37a) On October 25, 1989 the copyright office received a renewal certificate in the name of Turner and Bronston and the copyright office issued the certificate of renewal on that date. (41a) On December 18, 1989 the copyright office accepted the renewal certificate in the sole name of P.C. Films. (39a) The other Respondents were licensees of Turner.

Benjamin Melniker, the former general counsel, vice-president and member of MGM's broad of directors, testified that:

> ...
> Now, the copyright is something different, and the copyright is for the original term and then it was renewed. But the distribution rights go on continuously. The grant is not dependent upon -- it is not dependent in the sense that it's not coterminous with the first period of copyright. (64a).

Mr. Melniker further testified that perpetuity meant forever

and that MGM would not have signed the Basic Agreement unless it received perpetual distribution rights. (62a, 63a, 64a).

The trial was held on stipulated facts including the deposition of Mr. Melniker. The basis for federal jurisdiction of the District Court is set forth in the Appendix (33a).

REASONS FOR GRANTING THE WRIT

The decision below presents a novel, important and unanswered question of whether contractual rights, obligations and duration, together with state canons of interpretation of contracts, can be used to evade art. I, § 8, cl. 8 (the Copyright Patent Clause) and art. VI, cl. 2 (the Supremacy Clause) of the Constitution and the Copyright Acts of 1909 and 1976. The holdings of the Second and Seventh Circuits conflict with the holdings of the Fourth, Fifth and Ninth Circuits.

I. All References To A Perpetual Duration of Copyright Rights In Contractual Language Should Be Pre-empted Because Of The Conflict With The Copyright Patent Clause And The Supremacy Clause Of The Constitution And The Applicable Copyright Act

A. Constitutional and Statutory Background

Copyright rights are a limited monopoly as to their duration, nature and scope. Fair use, compulsory licensing, and the parameter of infringing conduct delineate their nature and scope. The Copyright Patent Clause of the Constitution gives Congress the power to enact legislation with respect to the duration and nature of the limited monopoly.

The purpose of the Copyright Patent Clause is to encourage an author to create works, and in return the author is permitted to exclusively exploit the work for a limited time. Thereafter, the copyrighted work is available to the public. *Sony*

Corp. v. Universal City Studios, Inc., 464 U.S. 417, 429, 104 S.Ct. 774, 782 (1984), *reh'g denied*, 465 U.S. 1112, 104 S.Ct. 1619 (1984). After the expiration of the copyright and its copyright rights, no person can exercise any copyright remedy. The simple reason is there is no longer a copyright or a limited monopoly, and therefore nothing to infringe.

In *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973), the Court held that because sound recordings were not within the subject matter coverage of federal copyright law, the California statute of unlimited duration was not subject to pre-emption by the Copyright Patent Clause and the Supremacy Clause of the Constitution. However, if a copyrighted work is covered by a federal copyright statute, or if Congress has decided to leave the subject matter of work unprotected, the States will be barred from enacting any legislation protecting the work.

When Congress enacts legislation covering copyright subject matter and grants an exclusive right or monopoly"...its effects are pervasive; no citizen or State may escape its reach." *Goldstein v. California*, 412 U.S. 546 at 560, 93 S.Ct. 2303 at 2312 (1973). Justice Burger, writing for the majority, made reference to the enactment by Congress of motion picture coverage in 1912 as an example of the pervasive effect of federal copyright protection. *Goldstein v. California*, 412 U.S. 546 at 562, 93 S.Ct. 2303 at 2312, *fn.* 17 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973).

Goldstein dealt with a state statute. Can a contract freely entered into between two parties evade, by contractually created rights, the Copyright Patent Clause, the Supremacy Clause of the Constitution, the applicable copyright act and copyright policy?

Petitioner respectfully submits that a state court or a federal court sitting in diversity is subject to the Copyright Patent Clause and Supremacy Clause with respect to a contract between two parties providing for a perpetual duration of copyright rights and purported copyright rights.

One of the bedrock principles of our society is that parties can enter into a contract of any lawful item, subject, however, to any conflict with federal law. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S.Ct. 1096 (1979). In *Aronson*, the designer, after applying for a patent of a keyholder, entered into a contract with a company for the manufacture and sale of a "keyholder" in consideration of a royalty of 5% if the previously filed application for the patent of the keyholder was granted. Pursuant to a contemporaneous agreement, the company obligated itself to a reduced royalty of 2-1/2% of sale of the application of the patent was denied. Thereafter, the application for the patent was denied. After fourteen years, the company refused to pay because it asserted that state law with respect to the contract is not enforceable because of patent law. This Court stated in *Aronson* that

> State law is not displaced merely because the contract relates to intellectual property, ...the states are free to regulate the use of such intellectual property in any manner not inconsistent with Federal law. (citations omitted)

Aronson v. Quick Point Pencil Co., 440 U.S. at 262, 99 S.Ct. at 1099.

The Court found that the contract was not inconsistent with Federal Patent Law relying on *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S.Ct. 1879 (1979), which held that contracts of trade secrets do not disturb patent law. Both the law of state trade secrets and patent law are not in conflict because both encourages invention and disclosure. However, if the exploitation of trade secrets restrict disclosure, then state law may not satisfy the Patent Clause in favor of disclosure. *Aronson v. Quick Point Pencil Co.*, 440 U.S. at 266, 99 S.Ct. at 1101.

In *Lear, Inc. v. Adkins*, 395 U.S. 653, 89 S.Ct. 1902 (1969), the court held that a state contractual canon of estoppel cannot be applied to prevent a patent licensee from establishing the

invalidity of the patent and avoid payment of royalties because of the strong federal policy favoring the full and free use of ideas in the public domain.

In a contract for the license of copyright rights, there is no tension between state contract law and federal law unless there is a conflict involving duration and nature of copyright rights. Contract provisions for the nature and duration of perpetual copyright rights cannot alter constitutional and statutory law and copyright policy.

At the time of signing the Basic Agreement, § 24 of the Copyright Act of 1909 provided for a 28 year duration of the initial copyright term and if renewed in accordance with law, a renewal term of an additional 28 years. 17 U.S.C. § 24 (rep. 1976). Pursuant to § 304(a) Copyright Act of 1976 the duration of two terms was preserved for works published prior to January 1, 1978 and the renewal term was extended for an additional 19 years, 17 U.S.C. § 304(a) (1988) *amended in 1992 by* 17 U.S.C. § 304(a)(1)(A),(B),(C) (1996). The 1992 amendment provided that all works published between January 1, 1964 and December 31, 1977 are renewed automatically.

The Basic Agreement's contractual provisions for the duration of the copyright rights provided for a measuring period of perpetual duration. Such measuring duration violates the Copyright Patent Clause and Supremacy Clause of the Copyright Act of 1909 on August 4, 1960 and the Copyright Act of 1976 between January 1, 1989 and December 31, 1989.

B. The Second Circuit Should Have Pre-empted All References To A Perpetual Duration Of Copyright Rights Including The Use Of Such Perpetual Duration As Evidence Of Intent To Give Respondent Turner The Copyright Rights During The Renewal Term

The Second Circuit did not pre-empt the perpetual duration of the copyright rights nor did it acknowledge that a perpetual duration of copyright rights is a perpetual monopoly. However,

the Second Circuit created a novel and artificial doctrine of converting a perpetual duration into an initial term of copyright, a renewal term and then public domain subject to a deferral of the determination of Petitioner's restrictions after the expiration of the copyright. The Second Circuit previously rejected the doctrine of partial pre-emption. *National Basketball Association v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997).

This Court held in *Brulotte v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965), that an agreement, signed before the expiration of patentee's patent, cannot be enforced for royalties accrued after the expiration of the last of the patents incorporated into the licensed hop picking machines. Such use of the agreement beyond the expiration of the patent is unlawful per se. *Brulotte v. Thys Co.*, 379 U.S. at 32, 85 S.Ct. at 179. What is novel in the case at bar is a copyright having an initial term, and if properly renewed, a renewal term, together with a contractually created period of perpetual duration of copyright rights. This Court in *Brulotte* did not face the question of a license of perpetual patent rights and the payment of perpetual royalties.

The Second Circuit did not discuss nor cite *Brulotte* with respect to (a) the pre-emption of all references to perpetual as a measuring duration of the copyright rights; (b) the expiration of Respondents' copyright rights at the expiration of P.C. Films' copyright and (c) the deferral of the determination of P.C. Films' restrictions on the expiration of its copyright on December 31, 2037.

Petitioner respectfully submits that the Second Circuit should have pre-empted all references to a perpetual duration of copyright rights, including the unconstitutional perpetual duration as intent to justify the extension of Respondents' copyright rights during the renewal term.

The only reference to duration in the Basic Agreement was that MGM was retained and vested with the perpetual and exclusive right to "distribute" the Picture which such distribution

right(s) included copyright rights in contractual language without duration and state contractual rights, all contained in the five sections of Exhibit I (**48a,49a,52a-59a**). Paragraph 11 provided that such distribution rights included the exclusive right to the benefit and enjoyment for all purposes of all negative, positive and other materials related to the Picture. (**49a**). Bronston was the owner of the copyright as well as the negative and other material referred to in paragraph 11.

In order to justify the failure to pre-empt the unconstitutional perpetual duration, the Second Circuit relied on a New York State canon of construction that "construction of a contract should be, when it is possible, in favor of its legality." *Shedlinsky v. Budweiser Brewing Co.*, 163 N.Y. 437, 439, 57 N.E. 620, 620 (1900). (**11a**) The Second Circuit relied on a dictionary definition of perpetual to mean "forever" and "hereafter", and the testimony of Mr. Melniker which established that perpetual distribution rights would last forever as a canon of contractual intent to provide Respondents with copyright rights during the renewal term. (**10a**)

The application of a state law canon of construction to the durational period of a copyright or copyright rights is in violation of copyright policy. *S.O.S v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

The reliance by the Second Circuit of *Siegel v. National Periodical Pubs, Inc.*, 508 F.2d 909, 913 (2d Cir. 1974) is inapposite. The issue in *Siegel* involved the question of ownership of the renewal term of copyright, not the perpetual duration of copyright rights. The language of the assignment in the consent judgment which contained words "forever" and "hereafter" is no authority for a partial pre-emption of the plain language of a perpetual duration of copyright rights.

The word "perpetuity" was used as a word of duration in the Basic Agreement, not as a word of transfer nor intent to transfer copyright, which was the case in *Siegel*. The word "perpetual" was not ambiguous. New York law does not govern

interpretation of copyright concepts in the Constitution, copyright law and copyright policy. However, the New York rule with respect to the interpretation of contracts is a black-letter substantive "four corners" rule or "Plain English" rule. *Hunt Ltd. v. Lifschultz Fast Freight, Inc.*, 889 F.2d 1274 (2nd Cir. 1994); *Agfa-Gevaert, A.G. v. A.B. Dick Company*, 879 F.2d 1518 (7th Cir. 1989); *Eustis Mining Co. v. Beer, Sondheimer & Co.*, 239 F. 976, 984-985 (S.D.N.Y. 1917).

It does not follow that the plain and unambiguous words "perpetual" and "perpetuity" in the Basic Agreement should be converted into a doctrine of first term and renewal term, then a perpetual duration of public domain, subject to a determination of Petitioner's restrictions after the expiration of the copyright in the year 2037.

The contractual provisions providing for a perpetual duration of copyright rights which conflicts with the Copyright Patent Clause, Supremacy Clause and the applicable copyright act, should be pre-empted in its entirety from the inception of the Basic Agreement.

C. The Conflict With the Ninth Circuit

The holding of the Second Circuit is in conflict with *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), constitutional law, statutes and policy. In *Rano v. Sipa Press, Inc.*, the Court of Appeals for the Ninth Circuit held that the application of California's law of contracts as to duration of a non-exclusive license of copyright rights was in conflict with the duration of a copyright under § 203 of the Copyright Act of 1976 (17 U.S.C. § 203 (1996)). The Court of Appeals for the Ninth Circuit pre-empted all references to the California common law to an agreement of non-specified duration which were terminable at the will of either party. *Rano v. Sipa Press, Inc.*, 987 F.2d. 582 at

585 (9th Cir. 1993).[1]

The Second Circuit is also in conflict with the Ninth Circuit in applying a state canon interpretation to justify the failure to apply the Supremacy Clause and copyright law as to duration. *S.O.S. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

The conflict between the Second Circuit and the Ninth Circuit involves the use of contractual provisions to evade the Copyright Patent Clause and the Supremacy Clause of the Constitution.

D. The Conflict Amongst The Circuits

The Seventh Circuit in *ProCD, Inc. v. Zeidenberg*, 86 F.2d 1447 (7th Cir. 1996), *rev'g*, 908 F.Supp. 640 (W.D. Wis. 1996) did not pre-empt a contractual restriction in a shrinkwrap license prohibiting a purchaser from distributing the data base of a compilation of names of telephone users in alphabetical listing with his or her telephone numbers and zip codes. Purchaser purchased a CD-ROM disc which contained both telephone listings and a copyrighted software program used to access, retrieve and download the data. The purchaser's use of the copyrighted program was exempt pursuant to 17 U.S.C. § 117(1) (1996). The Seventh Circuit stated that the restrictions in the contract between two parties is not equivalent to copyright rights and therefore § 301(a) of the Copyright Act is not applicable. 17 U.S.C. § 301(a) (1996).

However, the contractual restrictions evaded and contractually overruled this Court's holding in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 111 S.Ct. 1282 (1991). The use of contractual provisions in *ProCD* to avoid

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[1] The Ninth Circuit did not cite *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973) as authority but *Fidelity Federal S & L Assn. v. de la Cuesta*, 458 U.S. 141, 102 S.Ct. 3014 (1982).

the Copyright Patent Clause and the Supremacy Clause of the Constitution was criticized. P.D. Connuck, When Private Parties Try To Expand Requirements Of Copyright, Patent Laws, N.Y.L.J., Intellectual Supplement 8/10/98, p. S2 at p. S8, col. 3; 1 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 3.04[B][3] (May 1998) (hereinafter referred to as "Nimmer on Copyright"); J.T. Warlick, IV, A Wolf in Sheeps Clothing, Information Licensing And *Defacto* Copyright Legislation in UCC 2B, 45 J. Copr. Socy., p. 158, 170 (1997).

Thus, the Second Circuit (contractual term of perpetual duration of copyright rights and its use of perpetual duration as an intent) and the Seventh Circuit (contractual restrictions of public domain material after this Court's holding in *Feist v. Rural*) are in conflict with the Ninth Circuit (pre-emption of conflicting California law of contracts with respect to duration).

Furthermore, the Fourth Circuit held in *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (9th Cir. 1990), that the contractual restrictions of 99 years prohibiting a purchaser from creating its own CAD/CAM die making software copyright program constitutes a misuse of copyright which can be used as a defense by parties being sued for copyright infringement. The Fifth Circuit held that a Louisiana statute cannot give effect to license use restrictions because of conflicts between the statute and § 301(a) of the Copyright Act of 1976. 17 U.S.C. § 301(a)(1996). *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, (5th Cir. 1988).

> ..."[W]hen state law touches upon the area of [patent or copyright statutes] it is familiar doctrine that the federal policy 'may not be set at naught, or its benefits denied by state law'"...

Vault Corp. v. Quaid Software Ltd., 847 F.2d 255 at 269 (5th Cir. 1988).

II. The Pre-emption Of All Conflicting References To A Perpetual Duration Of Copyright Rights Means The Substitute Of Copyright Law With Respect To The Renewal Term Of Petitioner's Copyright

Upon the pre-emption of all references to "perpetual" or "in perpetuity", copyright law and policy will apply to duration. Furthermore, the unconstitutional perpetual duration should not be used as contractual intent to justify the Respondents' exercise of the copyright rights during the renewal term. There is no other measuring duration of the copyright rights in the Basic Agreement. If the license does not set forth the period of its duration, it will be construed (in the absence of a contrary intent) to be effective for the duration of the then (initial) term of copyright of the work. *See Viacom Int'l, Inc. v. Tandem Prods., Inc.*, 368 F.Supp. 1264 (S.D.N.Y. 1974), *aff'd*, 526 F.2d 593 (2d Cir. 1975); 3 Nimmer on Copyright § 10.10[F] and *fn.* 4.61 (May 1998). *See also Manners v. Morosco*, 252 U.S. 317, 66 S.Ct. 101 (1920) in which the Court held that when the initial term has no duration, the licensee will exercise its rights during the initial term. *See also Turner v. Selznick*, 1997 WL 820871 (C.D. Cal.) (1998).

In *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir. 1951), *cert. denied*, 342 U.S. 849, 72 S.Ct. 77 (1951), the Second Circuit held that if a licensee is licensed of a derivative right to create an opera from the owner/licensor of the underlying novel, and if such derivative right does not provide for the owner/licensor's renewal term, then the licensee's rights and use of the licensor's material terminates at the end of licensor's initial term.[2]

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[2] The Second Circuit was inaccurate in citing *G. Ricordi & Co.* as authority for the renewal term to be a new estate. The use of the term "new estate" is involved when an individual author dies before the expiration of the initial term. The statutory beneficiaries can exercise their rights during the renewal term free of any prior assignment or license. *Stewart v. Abend*, 495 U.S. 207, 110 S.Ct. 1750 (1990); *Miller*

Upon pre-emption, Respondents' exercise of P.C. Films' copyright rights terminated at the end of the initial term.

III. The Second Circuit Improperly Minimized That P.C. Films Was The Sole Party To Renew The Copyright

Bronston as an independent producer was an employer for hire and proprietor of the copyright. Respondents acknowledged that it is the sole owner of the copyright. As owner of the copyright, it was the sole party to renew the copyright. The Second Circuit did not refer to any evidence other than the words "perpetual" and "perpetuity" in holding that Respondent Turner was entitled to exercise the copyright rights during the renewal term.

The Second Circuit's assumptions that if Petitioner did not renew the copyright, it would have been deprived of (a) sequel, remake and novelization rights and (b) the right to negotiate a new distribution agreement if MGM declined to continue distributing the Picture, are artificial. There is nothing in the record to support such findings. In 1960 when the Basic Agreement was signed, most motion pictures were not renewed by the Copyright Act. James J. Guinan, Jr., *Duration on Copyright*, Copyright Law Revision Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary, Study No. 30, p. 82 (1960).

The Second Circuit was also in error stating that MGM believed that it could renew the copyright as an author of the Picture. On September 4, 1962, twenty-five months after signing the Basic Agreement, an agreement was signed amongst Bronston, MGM and the Librarian of Congress so that MGM could save the cost of a print. (43a) In October of 1962, MGM signed the

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Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373, 80 S.Ct. 792 (1960). Bronston was a proprietor of the copyright as an employer for hire.

certificate of registration for the copyright of the Picture claiming that it was a co-author of the Picture.

The Second Circuit's reference in the Basic Agreement that the failure of MGM to obtain a power of attorney to renew the copyright was an omission because MGM believed that it could renew the copyright. MGM could never renew the copyright because MGM was not an assignee of Bronston or a co-employer. MGM never had the right to renew the copyright with the Copyright Office. *See Int'l Film Exchange, Ltd. v. Corinth Films, Inc.*, 621 F.Supp. 631, 635 (S.D.N.Y. 1985). If Petitioner did not renew the copyright, the copyright would have gone into the public domain. Although the Basic Agreement provided that MGM had the right to register the copyright in Bronston's name (55a), "registration" did not include renewal until 1992. 17 U.S.C. § 101 (1988), *amended in 1992 by* 17 U.S.C. § 101 (1996).

The Second Circuit committed error in minimizing that Petitioner was the sole party to renew the copyright.

It is ironic that in *G. Ricordi & Co. v. Paramount Pictures, Inc.* , 189 F.2d 469 (2d Cir. 1951), *cert. denied*, 342 U.S. 849, 72 S.Ct. 77 (1951) cited by the Second Circuit, David Belasco's derivative dramatic work based on the author's novel was not renewed. In Respondent Turner's case of *Turner v. Selznick*, 1997 WL 820871, (C.D. Cal.) (1998), Turner and other co-owners were owners of the copyright of "Gone With The Wind." Plaintiffs were co-owners of the copyright who did not renew their interests.

Therefore, contrary to the unsupported finding of the Second Circuit, the realistic commercial expectation of the parties was that the Picture would not be renewed. Furthermore, the reality is that MGM after drafting a precise 163 page agreement, loaning $4,000,000 to Bronston and Caribe Curacao N.V., a separate corporation owned by a third party and advancing $1,000,000 for certain territories controlled by Caribe Curacao N.V., MGM did not care about renewal rights because it controlled the negative of the Picture for what it considered to be

a perpetual and exclusive distribution right under state law. (¶ 11 of the Basic Agreement). (49a)

The real test is whether a prudent motion picture company advancing and loaning monies of $5,000,000 may after twenty-eight years permit another party either to inadvertently fail to renew the term of the copyright or intentionally donate the Picture to the public.

Pursuant to the Basic Agreement Bronston was entitled to exercise the copyright rights during the renewal term of its copyright based on the following: 1. Bronston had the ownership of the copyright and the right to renew the copyright (49a); 2. Bronston retained legal title to the ownership of the negative and the physical materials (49a); 3. MGM did not impose a contractual obligation on Bronston to renew the copyright (55a); 4. MGM did obtain express powers of attorney for rights not related to the renewal of the copyright, but did not obtain such a power of attorney to renew the copyright (51a,52a); 5. In the event of a default by Bronston, MGM specifically included provisions mentioning the "renewal term", but omitted any reference to the renewal term in connection with the copyright rights in contractual language since MGM was never concerned with copyright rights (60a).

IV. The Perpetual And Exclusive Distribution Right Was A Common Law Contractual Right

The Second Circuit did not analyze the nature of the perpetual and exclusive distribution right from a copyright analysis. The copyright rights in contractual language without duration contained in ¶ 1, § 3 of Exhibit I are different and apart from the nature and duration of the perpetual and exclusive distribution right in ¶ 8 which includes the control of the negative and other material all referred to in ¶ 11 and other contractual rights in various sections of Exhibit I (48a,49a,52a-54a).

The perpetual and exclusive distribution right in ¶¶ 8 and 11 is a common law contractual right which is the right to engage in a general distribution business under common law such as an

automobile, soft drink or clothing distributorship. See also ¶ 1 of the Basic Agreement (47a).

The word "distribute" in ¶ 1(a) of § 3 of Exhibit I of the Basic Agreement is different from the perpetual and exclusive distribution right in ¶¶ 8 and 11 (48a,49a,54a). This Court's statement in *Towne v. Eisner*, 245 U.S. 418, 425, 38 S.Ct. 158, 159 (1918) is pertinent to the words "distribute" and "distribution".

> A word is not a crystal, transparent and unchanged, it is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used.

Respondents did not offer any testimony of the nature of the perpetual and exclusive distribution right in ¶¶ 8 and 11 of the Basic Agreement and the rights referred to ¶1 in Section 3 of Exhibit I of the Basic Agreement.(53a) Respondents did not care for copyright rights. As evidence of such fact, after twenty-six months of submission of the Trial on Stipulated Facts, Respondents admitted in open court that "we were not acquiring copyright rights" (66a). The Second Circuit and District Court did not refer to such admission.

Neither the Second Circuit or the District Court made any reference to § 1 of the Copyright Act of 1909, which provided for the copyright rights. 17 U.S.C. § 1(a), (b), (c), (d) (rep. 1976). The Basic Agreement does not contain any reference to § 1 of the Copyright Act of 1909.

Section 1(a) of the Copyright Act of 1909 contained the rights to "print, reprint, publish, copy and vend." 17 U.S.C. § 1(a) (rep. 1976).

(1) **The Right to Publish.** Section 26 of the Copyright Act of 1909. 17 U.S.C. § 26 (rep. 1976) contained the only statutory reference to the term "distribution" which term was used in connection with the interpretation in defining "the date of

publication" for releasing a work to the public for divesting common law copyright works. In the motion picture industry, the right to "publish" meant distribution or delivery of copies or prints of a negative to motion picture exchanges and motion picture theatres. In a report by the Copyright Committee of the Motion Picture Association of America, Inc. with respect to the revision to the Copyright Act of 1909, there was no reference to a copyright right to "distribute". THE REGISTER'S RECOMMENDATIONS TO CONGRESS FOR A NEW COPYRIGHT STATUTE AS THEY PERTAIN TO PRODUCERS AND DISTRIBUTORS OF MOTION PICTURES; MEMORANDUM DATED MARCH 2, 1962 SUBMITTED TO THE HON. ABRAHAM L. KAMINSTEIN, UNITED STATES REGISTER OF COPYRIGHTS, BY THE COPYRIGHT COMMITTEE OF THE MOTION PICTURE ASSOCIATION OF AMERICA, INC., ¶ 2, p. 6 (1962). See also Report of the Register of Copyrights on the General Revision of U.S. Copyright Law, 87th Cong. 1st Sess, Copyright Law Revision, p. 21 (H Judiciary Comm Print 1961); 2 Nimmer on Copyright § 8.11[A] (May 1998).

Pursuant to the Copyright Act of 1976, the right to "distribute" combined the right to "vend" and the right to "publish". "Publication" was defined as "distribution." 17 U.S.C. § 101, 106(3) (1996). *See also Agee v. Paramount Communications, Inc.*, 59 F.3d 317, 319 (2d Cir. 1995).

(2) The Right to Vend. The right to "vend" was the right to transfer copies of the work by sale, lease or gift. Howell's Copyright Law p. 129 (Latman ed. 1962). MGM had no rights to sell any copies because of ¶ 11 and ¶ 1(e) of Section 3 of Exhibit I of the Basic Agreement.(**49a,54a**)

(3) The Right to Reproduce. The right to "print, reprint and copy" was the right to reproduce copies. See 2 Nimmer on Copyright § 8.14[D][3].

When Congress enacted subject matter for dramatic and non-dramatic motion pictures in 1912, there was no revision of the

copyright rights in § 1 of the Copyright Act of 1909. Townsend Amendment Act of August 24, 1912, ch. 356, 37 Stat. 488 which was codified in 17 U.S.C. § 5(l), (m) (rep. 1976). The motion picture industry had problems with respect to protecting motion picture producers and distributors from the wrongful exhibition of motion pictures. *See* Report of the Register of Copyrights on the General Revision of U.S. Copyright Law, 87th Cong. 1st Sess, Copyright Law Revision, p. 28 (H Judiciary Comm Print 1961); 2 Nimmer on Copyright § 8.14[D][3] (May 1998).

The right referred to in ¶ 1(a) of § 3 (**54a**) to "distribute, exhibit, exploit, market, televise, perform and otherwise use and deal in the photoplay..." is not in § 1 of the Copyright Act of 1909. 17 U.S.C. § 1 (rep. 1976). The only reported case with similar general language was *Metro-Goldwyn Mayer Distribution Corporation v. Bijou Theatre Co. of Holyoke*, 59 F.2d 70 at 77 (1st Cir. 1932), *remanded*, 3 F.Supp. 66 (D. Mass. 1933). The First Circuit held that such language was conclusory for pleading purposes but permitted plaintiff to amend its complaint for its action against defendants' wrongful exhibition of plaintiff's copyrighted motion pictures.

V. The Second Circuit Should Have Remanded The Declaratory Judgment Claim To The District Court To Determine Whether The Basic Agreement Was Voidable Under New York Law

The Second Circuit recognized that the Picture would fall into the public domain, except that Petitioner's restrictions would not be addressed until after 2037. There is no perpetual monopoly of copyright rights. The Second Circuit reformed the Basic Agreement without Respondents having requested such relief in the pleadings. The Basic Agreement speaks of a perpetual monopoly. If the perpetual and exclusive right to distribute and the exclusive copyright rights cannot be a perpetual monopoly, Respondents do not have to pay any perpetual royalties because Respondents do not have to pay after the expiration of the copyright. *Brullote v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965); *April Productions v. G. Schirmer*, 308

N.Y. 366, 377, 126 N.E.2d 283, 290 (1955). Petitioner's first claim was in diversity. *Erie R.R. Co. v. Tompkins*, 304 U.S. 64, 58 S.Ct. 817 (1938). The Second Circuit should have made a determination that under New York law that if P.C. Films was not bound to perpetual copyright rights, then it could not be entitled to perpetual royalties. The *quid pro quo* consideration for the grant of perpetual copyright rights to MGM was the basis of MGM's paying Bronston perpetual royalties. Therefore, the Second Circuit should have ruled that the Basic Agreement was void or voidable or the Second Circuit should have remanded the first claim, to wit, the declaratory judgment claim to the District Court to determine whether the Basic Agreement was void or voidable or failed for lack of mutual consideration under basic state contractual principles.

CONCLUSION

The Second Circuit's decision was erroneous based on its analysis of the nature and duration of the perpetual and exclusive right to distribute the Picture which includes copyright rights in contractual language and contractually created common law rights. The perpetual duration of copyright rights should have been pre-empted as a measure of duration and as a basis of intent for its doctrine of partial pre-emption to permit Respondents to exercise the copyright rights during the renewal term of Petitioner's copyright.

Petitioner respectfully submits that this Court should grant a Writ of Certiorari to resolve the conflict among the Circuits of the question whether a state contractual right, obligation, or period of duration can be used to evade the Copyright Patent Clause, the Supremacy Clause, the Copyright Act of 1976 and copyright policy as well as providing guidelines for the Circuits, District Courts, State Courts (with respect to copyright license agreements) and practitioners representing clients creating, licensing, financing, viewing, hearing and using copyrighted works.

Copyrights and patents have been significant in the transformation of our society to a service industry as the source of

large wealth. In 1995, the film industry received revenues of 18 billion dollars. *See* H. Vogel, Entertainment Industry Economics, p. 55 (4th ed. 1998). Large revenues come from the exploitation of other copyrighted works as well as the manufacture of hardware and construction of auditoriums to view, hear or use copyrighted works. The Copyright Patent Clause should not be eroded by state contractually created rights, obligations and duration.

Dated: New York, New York
September 21, 1998

Respectfully submitted,
Carl I. Kaminsky
Counsel of record
Attorney for Petitioner
295 Madison Avenue
New York, New York 10017
(212) 599-0487

UNITED STATES COURT OF APPEALS
For the Second Circuit
United States Courthouse
40 Foley Square
New York 10007

George Lange III
Clerk

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the twenty-fourth day of June, one thousand nine hundred and ninety-eight.

P.C. Films Corp.
Plaintiff-counter-defendant-appellant

v

Turner Entertainment, et. al.,
defendants-counter-claimants-appellees.

A petition for rehearing containing a suggestion that the action be reheard in banc having been filed herein by the appellant P.C. Films Corp.

Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED.**

It is further noted that the suggestion for rehearing in banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

FOR THE COURT
GEORGE LANGE III
By: Beth J. Meador
Administrative Attorney

UNITED STATES COURT OF APPEALS
For the Second Circuit
United States Courthouse
40 Foley Square
New York 10007

George Lange III
Clerk

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 23rd day of February, one thousand nine hundred and ninety-eight.

PRESENT: HON. Frank X. Altimari
HON. Fred I. Parker
HON. Damon J. Keith

Circuit Judges

Docket No: 97-7399

P.C. FILMS CORP.,

Plaintiff-Counter-Defendant-Appellant

v

MGM/UA HOME VIDEO INC.,
MGM/UA COMMUNICATIONS CO.,
WARNER HOME VIDEO, INC.,
TURNER ENTERTAINMENT CO,

Defendants-Counter-Claimants-Appellees.

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the Southern District of New York and argued by counsel.

ON CONSIDERATION WHEREOF, if is now hereby **ORDERED, ADJUDGED, AND DECREED** that the judgment

of said district court be and it hereby is affirmed in accordance with the opinion of this court.

FOR THE COURT
GEORGE LANGE III
By: Beth J. Meador
Administrative Attorney

The Honorable Damon J. Keith, of the United States Court of Appeals for the Sixth Circuit, sitting by designation.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

August Term, 1997

(Argued: September 26, 1997) (Decided: FEB 23, 1998)
Docket No. 97-7399

P.C. FILMS CORP.,

Plaintiff-Counter-Defendant-Appellant,

V.

MGM/UA HOME VIDEO INC.,
MGM/UA COMMUNICATIONS Co.,
WARNER HOME VIDEO, INC.,
TURNER ENTERTAINMENT CO.,

Defendants-Counter-Claimants-Appellees.

BEFORE: ALTIMARI, PARKER and KEITH, Circuit Judges.

Appeal from a judgment of the United States District Court for the Southern District of New York (Barbara S. Jones, Judge) denying plaintiff-appellant's request for a declaratory judgment that the defendants' distribution license for the film "King of Kings" terminated on the expiration of the film's initial copyright term and from a subsequent judgment of the same court dismissing plaintiff-appellant's additional claims and defendants-appellees counterclaims in accordance with its decision to deny declaratory judgment.

Affirmed.

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* The Honorable Damon J. Keith, of the United States Court of Appeals for the Sixth Circuit, sitting by designation.

Carl I. Kaminsky, New York, NY (Richard L. Yellen, New York, NY, of counsel), for Plaintiff-Appellant.

Stephen F. Huff, New York, NY (Tom J. Ferber, Paige A. Moore, Gary R. Kline, Pryor, Cashman, Sherman Flynn, New York, NY, of counsel), for Defendants-Appellees.

PARKER, Circuit Judge:

Plaintiff-appellant P.C. Films Corp. ("P.C. Films") appeals from a judgment of the United States District Court for the Southern District of New York Barbara S. Jones, Judge denying P.C. Films' request for declaratory judgment that a grant of a "perpetual and exclusive right to distribute, the motion picture "King of Kings" terminated upon the expiration of the initial copyright term of the picture. P.C Films' claim for declaratory relief was the first of six in its complaint filed in 1991, but the parties agreed to proceed by a bench trial on stipulated facts as to the first claim only. The remaining claims including copyright infringement, unfair trade practice, wrongful possession, and failure to provide an accounting were subsequently dismissed by the district court in accordance with its opinion on the declaratory judgment claim. A final judgment was entered accordingly. For the reasons stated below, we affirm.

I. BACKGROUND

The Film "King of Kings" ("Film,") was based on a screenplay written by Philip Yordan for Samuel Bronston Productions, Inc.,("Bronston") as a "work made for hire." In 1960, Bronston sought financing for the Film in exchange for which it would license distribution rights in the Film. On August 4, 1960, following months of negotiations conducted by sophisticated and expert parties, each represented by counsel, Bronston and Metro-Goldwyn-Mayer Inc. ("MGM") entered into an agreement ("Basic Agreement") for the production, financing and distribution of the Film.

The Film was first exhibited on October 20, 1960. Plaintiff P.C. Films is Bronston's assignee in bankruptcy, as a result of a

1967 bankruptcy proceeding in which Bronston assigned its interests in the Basic Agreement and the copyright in the Film to P.C. Films. Through a series of mergers and name changes, Turner Entertainment Co. ("Turner") is the successor in interest to MGM. Turner continues to exercise distribution rights in the Film. Warner Home Video, another named defendant in the action, is distributing the Film in home video pursuant to licenses obtained from Turner.

Pursuant to the terms of the Basic Agreement, MGM provided promissory notes to finance $5 million of the Film's total production budget (which was then approximately $ 6 million, although it later increased),[1] in return for which MGM received the exclusive right to distribute the Film worldwide, except in certain countries.

8 . . . subject to the Provisions of paragraph 11 below, [MGM] shall retain in perpetuity the exclusive right to distribute the said motion picture throughout the world except in Spain, Portugal, Germany, France, Belgium, Holland and Luxembourg...[2]

11. . . [MGM] shall be vested with the perpetual and exclusive right to distribute the said motion picture "KING OF KINGS" throughout the territories in which [MGM] acquire[s] rights

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[1] By a complicated formula in § 8 of the Basic Agreement, MGM was to recoup its advances and certain other fees and expenses from the gross receipts collected by MGM from distribution of the Film, and after recoupment, MGM agreed to pay 60% of "net profits to Bronston. To date, the Film has not Generated sufficient revenue for Bronston or its successors to receive any monies under this provision.

[2] Prior to the execution of the Basic Agreement, Bronston had assigned the distribution rights in the motion picture for Germany, France, Belgium, Holland and Luxembourg to Nazareth Production Company ("Nazareth"), a party to the Basic Agreement. Pursuant to § 9 of the Basic Agreement, MGM was given the option to acquire for $ 1 million the exclusive right to distribute the Film in the countries reserved to Nazareth, an option which MGM exercised on December 2, 1960. Accordingly, by the end of 1960, MGM had "perpetual" distribution rights in the Film for the entire world except Spain and Portugal.

hereunder . . . .

According to Exhibit I of the Basic Agreement, MGM was granted "the sole and exclusive right and license, under copyright and other protection" to distribute the Film, and was granted various other incidental rights with respect to the Film, including the right to exhibit, exploit, market and televise the Film, to use the negative and soundtrack from the Film for the purpose of advertising the Film, and to "exercise all rights, licenses and powers of every kind which [Bronston] has acquired or may acquire in or with respect to the literary, dramatic and/or musical material... MGM was also granted a derivative right to create elements to promote the Film and the right to make copies. Bronston was to own the negative and other physical materials to the Film Bronston retained all rights to the music soundtrack, the exclusive right to the novelization of the Film and, subject MGM's written approval, the right to make a sequel. MGM also agreed that if it was not distributing the Film in a particular country after 21 years following MGM's general release of the Film or 24 years from the date of the Agreement, whichever came first, Bronston had the right to negotiate for the release of the Film by some other distributor, provided MGM was first notified of Bronston's intention and given a reasonable time to undertake the distribution itself.

The Basic Agreement states, and Turner does not contest, that Bronston is the sole proprietor of the copyright in the Film. MGM was granted the "authority and power of attorney to assert, prosecute, handle and settle" all claims against any person "for the unauthorized or illegal use, copying, reproduction, release, distribution, exhibition or Performance of the Film. As to registration of the copyright in the Film, Bronston was required to "place a proper copyright notice in the main title of the photoplay, in conformity with the laws of the United States governing the form and content of copyright notices, designating [Bronston] as the copyright proprietor." The same section provided that MGM:

> shall take such steps, if any, with regard to the registration of the copyright in the United States Copyright Office (in the name of [Bronston] as copyright proprietor) as it normally and customarily takes with respect to its own photoplays.

The Film was registered in 1962 as a copyrighted work under the Copyright Act of 1909. The application to register the copyright, filed with the copyright office on October 15, 1962, was signed by MGM in the name of Bronston and MGM as co-claimants. Benjamin Melniker, MGM Vice President and General Counsel, who took the lead in the negotiations of the Basic Agreement in 1960, testified in a deposition in this case that MGM,s name was added to the initial registration to enable it to register and hold the copyright in trust for Bronston. According to Meiniker, this was done so that Bronston could take advantage of an arrangement MGM had with the copyright office which facilitated the process of depositing copies with the copyright office.

There was no provision specifically requiring Bronston to register the Film for the renewal term. Nor did MGM receive a power of attorney to renew the copyright. Nevertheless, on October 25, 1989, Turner registered the renewal copyright in the names of Bronston and Turner as co-claimants as MGM had done for the original copyright registration, On December 18, 1989, P.C. Films filed a second renewal application, naming P.C. Films as the sole copyright claimant. The parties agree that, as a work originally registered under the Copyright Act of 1909, the renewal period in the Film does not expire until after 2036. See 17 U.S.C. § 304(a).

Against this background, P.C. Films appeals the district court's refusal to declare that the distribution license and other rights created by the Basic Agreement terminated in 1989, upon expiration of the initial copyright term of "King of Kings."

II. DISCUSSION

A. The Nature of the Distribution License

Under the Copyright Act of 1909, a transfer of anything less than the totality of rights commanded by copyright was automatically a license rather than an assignment the copyright. See 3 Nimmer on Copyright § 10.01 [A] , at 10-5-10-6. The Basic Agreement expressly provides that Bronston retained legal title in the Film, that is, remained the copyright proprietor. Bronston

granted to MGM one of the most significant of its copyright rights in the Film, namely the right to distribute, as well as various other incidental rights, while retaining other copyright rights, such as novelization and sequelization rights. The Basic Agreement is, and was clearly intended to be, an exclusive license. Moreover, it is a license of federal copyright rights. Not only was registration of the Film with the United States Copyright office required pursuant to the terms of the Basic Agreement, but MGM acquired copyright rights which it could protect through copyright infringement actions because it had the power of attorney to bring such actions, thereby giving MGM the full protection afforded by the federal copyright laws. As a license of federal copyright rights, the Basic Agreement was subject to the provisions, principles and policies of federal copyright law.

B. A License of the Renewal Term

One of the central concepts of federal copyright law is that the renewal period is not merely an extension of the original copyright term but a "new estate . . . clear of all rights, interests or licenses granted under the original copyright." G. Ricordi & Co. V. Paramount, Pictures, Inc., 189 F. 2d 46.9, 471 (2d Cir.), cert. denied, 342 U.S. 849 (1951). As explained by the United States Supreme Court, the purpose of the right of renewal is to "Provide[] authors a second opportunity to obtain remuneration for their works." Stewart v. Abend, 495 U.S. 207, 217 (1990).

Although it arguably follows as a matter of logic that if the purpose of the "new estate" concept is to permit authors, "originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested," Stewart, 495 U.S. at 218-19, a copyright holder should never be able to convey rights in the renewal term until that term commences, this has never been the case. The Supreme Court has consistently allowed authors to assign their rights in the renewal term before that term commences. Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373, 375 (1960); Stewart, 495 U.S. at 215. This Circuit has followed suit. See,e.g., Corcovado Music Corp. v. Hollis Music, Inc., 981 F. 2d 679 (2d Cir. 1993). In so doing, we have reconciled the position of allowing authors to convey

rights in the renewal term with the goal of protecting them from exploitation by creating a presumption against the conveyance of renewal rights. Id. at 684 ("[T] here is a strong presumption against the conveyance of renewal rights . . . . [This presumption] serves the congressional purpose of protecting authors' entitlement to receive new rights in the 28th year of the original term...)

We have held that the general presumption against the conveyance of renewal rights may be rebutted where the author includes "language which expressly grants rights in 'renewals of copyright' or 'extensions of copyright.' " Id. (quoting 2 Nimmer on Copyright § 906[A], at 9-71 to 9-72). Further, "general words of assignment can include renewal rights if the parties had so intended... Siegel v. National Periodical Pubs, Inc., 508 F.2d 909, 913 (2d Cir. 1974) (holding that the words "forever" and "hereafter" embraced the renewal term). See also Corcovado Music Corp., 981 F.2d at 684-85 (finding no assignment of renewal rights). The intention to convey renewal rights may also be supported by extrinsic evidence. See, e.g., Venus Music Corp. v. Mills Music, Inc., 261 F.2d 577, 578-79 (2d Cir. 1958).

The Basic Agreement does not expressly refer to rights in the renewal period. However, the Basic Agreement granted MGM the "perpetual and exclusive right to distribute" the Film. The dictionary definition of "perpetual, includes "continuing forever. See Webster's Third New International Dictionary 1684 (1981). Thus, "perpetual" is sufficiently synonymous with "forever" as to make Siegel controlling precedent. Even if Siegel were not controlling, the conclusion that the parties in this case intended to convey rights in the renewal term is supported by extrinsic evidence, namely the testimony of the sole surviving participant in the negotiations, MGM's Vice President and General Counsel, Benjamin Melniker. Melniker, whose deposition was part of the stimulated facts on which plaintiff's declaratory judgment claim was tried and whose testimony was not contradicted, testified that MGM would not have financed the picture for less than a perpetual term and that, in his understanding, the term "Perpetual" meant forever, was not limited to any specific term of years, and was not coterminous with the initial copyright term.

It is true that the Basic Agreement does not impose any specific obligation on Bronston to renew the copyright, but this oversight

may be explained by the fact that MGM believed it could register the copyright renewal for Bronston and MGM as co-claimants, as it did with the initial copyright registration, two years after the Basic Agreement was signed. Moreover, as Turner argued on appeal, it was the realistic commercial expectation of the parties that Bronston would seek to renew the copyright in the Film, otherwise Bronston would lose any federal copyright protection for any of the rights it retained by virtue of the Film falling into the public domain.[3]

Plaintiff argues that a grant of a perpetual copyright license is contrary to federal copyright law and policy, which grants a statutory monopoly for a limited duration only, and therefore the Basic Agreement's provisions regarding duration are void as against public policy. Plaintiff contends that the offending provisions should be removed from the contract and this Court should read the Basic Agreement as containing no provision regarding duration at all. Under copyright law, where a contract is silent as to the duration of the grant of copyright rights, the contract is read to convey rights for the initial copyright period only. see 3 Nimmer on Copyright § 10.10[F], at 10-98.

As explained below, we decline to decide whether a grant of "perpetual" copyright rights, that is, rights beyond the renewal period, is contrary to copyright law and policy. Even if such a grant is "void," however, we would not adopt plaintiff's analysis which would require the Court to ignore the manifestation of the parties, intention on the issue of duration. Instead, applying the principle of contractual interpretation that when a contract "may be performed lawfully, as well as in violation of the law, it is valid, . . . [and the] construction of a contract should be, when it is possible, in favor of its legality," Shedlinsky v. Budweiser

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[3] If it failed to renew, Bronston would also have had little prospect of negotiating a new distribution agreement in the event that MGM declined to continue distributing the Film after 21 years from the Film's general release or 24 years from the date of the Basic Agreement, because it would be unable to provide an exclusive distribution license with federal copyright protection once the initial term expired.

Brewing Co., 163 N.Y. 437, 439, 57 N.E. 620, 620 (1900), the Basic Agreement can be lawfully interpreted to continue through the renewal period, thereby giving effect to the intention of the parties to the greatest extent possible consistent with the law.

C. A License Beyond the Renewal Term

The question as to whether a copyright proprietor may, consistent with federal copyright law and policy, license his or her copyright rights beyond the renewal term is one which has not been addressed by this Court.[4] The district court held that the Basic Agreement was "merely a contract between two private parties" and that contract "neither affect(ed] the process through which the Picture [would] fall into the public domain at the expiration of the renewal term, nor prevented others from distributing the Picture at that time." P.C. Films Corp. , 954 F. Supp. at 715. We are not convinced that this analysis gives sufficient weight to federal copyright law and the constitutional principle that a grant of copyright rights can be for "limited Times" only. See U.S. Const. Art. I, § 8, cl. 8. However, we believe it is premature and therefore inappropriate at this time to decide whether a contract purporting to grant a perpetual license of copyright rights, that is, rights that endure beyond the renewal period, is contrary to federal copyright law and policy. We need not resolve that issue because the renewal term for the film "King of Kings" does not expire until after 2036. We have held that the Basic Agreement's grant of distribution rights "in perpetuity" permits the defendants to continue to exercise their distribution rights through the renewal period. Thereafter, the work will go into the public domain. We decline to decide whether the Basic

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[4] The district court noted that several district courts and New York state courts have considered contracts granting "perpetual" licenses. P.C. Films Corp. v. Turner Entertainment Co., 954 F. Supp. 711, 714 (S.D.N.Y. 1997). However, in none or those cases did the courts consider whether a grant of copyright rights in perpetuity is consistent with federal copyright law.

Agreement imposes restrictions on P.C. Films beyond the renewal period.

III. CONCLUSION

For the foregoing reasons, we affirm the decision of the district court denying plaintiff's request for declaratory relief and affirm the court's dismissal of plaintiff's remaining claims on the same basis.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

P.C. FILMS CORP.,

Plaintiff,

V.

TURNER ENTERTAINMENT CO., MGM/UA HOME VIDEO, INC., MGM/UA COMMUNICATIONS CO. AND WARNER HOME VIDEO, INC.,

Defendants.

OPINION AND JUDGMENT
91 Civ. 1594

Barbara S. Jones, United States District Judge:

INTRODUCTION

The parties come before this Court for a trial on stipulated facts, seeking resolution of one narrow issue: whether a license for "perpetual" distribution rights to a motion picture either (i) terminated upon expiration of the film's initial copyright term or (ii) continues in perpetuity. This Court finds that the perpetual distribution rights endure beyond the initial copyright term.

BACKGROUND

On August 4, 1960, Samuel Bronston Products, Inc. ("Bronston") and Metro-Goldwyn-Mayer Inc. ("MGM") executed a detailed agreement ("Basic Agreement") concerning the production, financing, and distribution of a film entitled "King of Kings" (the "Picture"). The 163-page document was the culmination of months of negotiations conducted by sophisticated and expert parties, each represented by counsel. (Deposition of Benjamin Melniker, January 9, 1992, J.Ex. 15 at R335-37) (hereinafter "Melniker Deposition").

Pursuant to the Basic Agreement, MGM paid approximately $5 million to obtain exclusive distribution rights to the Picture.[1] Specifically, the Basic Agreement provides that:

> 8.[MGM] shall retain in perpetuity the exclusive right to distribute the said motion picture throughout the world except in Spain, Portugal, Germany, France, Belgium, Holland, and Luxembourg . . . .
>
> 11. Subject to the provisions of this agreement [MGM] shall be vested with the perpetual and exclusive right to distribute the said motion picture *"KING OF KINGS"* throughout the territories in which (MGM) acquires rights hereunder . . . .

(J.Ex. 1 at R19, R28). Benjamin Melniker, MGM Vice President and General Counsel, testified that "King of Kings" was "a very high cost picture" for MGM (Melniker Deposition, J.Ex. 15 at R283); he recalled the Bronston-MGM deal because of the "amount of money and what we thought was a very extraordinary picture." (Melniker Deposition, J.Ex. 15 at R338).[2]

Melniker further stated that it was MGM's policy to contract for "perpetual," as opposed to limited, distribution rights, and that MGM would not have financed the Picture for less than a perpetual term. (Melniker Deposition, J.Ex. 15 at R339-40). When asked whether Bronston had expressed a desire to limit the distribution rights to less than a perpetual term, he answered:

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[1] Under the Agreement, MGM would advance up to $4,000,000 for the production of the Picture. (J.Ex. 1 at R9) MGM also obtained an option to acquire the distribution rights in certain territories for payment of an additional $1,000,000; MGM exercised this option on December 2, 1960. (J.Ex. 3 at R170).

[2] Melniker is the only individual known by the parties to be available to testify and who has personal knowledge of the circumstances surrounding the Basic Agreement. (Statement of Stipulated Facts and Documents for Trial on Stipulated Facts, August 17, 1994, § A-16).

> Absolutely not. We would never have continued the negotiation if that happened. . . . There was no mention of any shorter term of distribution than perpetual. It was understood from the very – it was agreed to from the beginning, and the whole basis was on that term, perpetual term of distribution. Nobody brought up anything to the contrary.

(Melniker Deposition, J.Ex. 15 at R340).

The Picture was first exhibited on or about October 30, 1961. (Statement of Stipulated Facts and Documents for Trial on Stipulated Facts, August 17, 1994, § A.13) (hereinafter "Stip.") On October 15, 1962 the Copyright Office approved an application to register the copyright of the Picture. (Pl.Ex. 23 at R569-70).

The parties before this Court are successors in interest to the rights and obligations of Bronston and MGM. As a result of a 1967 bankruptcy proceeding, Bronston assigned its interests in the Basic Agreement and the copyright of the Picture to plaintiff P.C. Films. (Stip. § A.14, Pl.Ex. 30 at R592-97). Through a series of mergers and name changes, defendant Turner is the successor to MGM's distribution license, which it continues to exercise. (Stip. § A.24). Defendant Warner Home Video is distributing the Picture in home video pursuant to licenses obtained from Turner. (Stip. § A.15).

P.C. Film renewed the copyright effective December 18, 1989. (P1.Ex. 36 at R658). In September, 1990 P.C. Films advised the defendants that, in its view, the distribution license had terminated December 31, 1989. (Complaint, Ex. I).

On March 7, 1991, P.C. Films filed this suit. While the Complaint sets forth six claims for relief, the parties have agreed to proceed by a trial on stipulated facts on the first claim only, which seeks a declaratory judgment that (i) the distribution license granted in the Basic Agreement terminated on December 31, 1989, and (ii) defendants have no further distribution rights with respect

to the Picture.[3]

DISCUSSION

The gravamen of plaintiff's claim is that defendants' "perpetual" distribution rights given "in perpetuity" endure, in fact, for only 28 years -- the Picture's initial federal statutory copyright term. Any other interpretation, according to plaintiff, would be violative of the U.S. Constitution, Art. I, § 8, the Copyright Act of 1909 ("the Copyright Act")[4] Supreme Court precedent, New York law, and public policy.

In support of its argument, plaintiff recites the principles that Congressional copyright protection is necessarily limited in nature, and that a copyright proprietor can only contract with respect to what it owns. As applied, plaintiff's argument misconstrues both the nature of licenses related to copyrights, and judicial treatment of such contractual arrangements.

The essence of plaintiff's argument lies in the contention that the Copyright Act should preempt basic contract principles in the interpretation of the Basic Agreement's distribution rights license. This Court finds, however, that the private agreement between two parties -- which does not affect the movement of the Picture into the public domain once the initial and renewal terms have expired -- does not "alter rights granted by the copyright statutes as to invade the scope of copyright law or violate its policies." Fantastic Fakes v. Pickwick International, Inc., 661 F.2d 479, 483 (citing Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150, 153 (2d Cir.), cert. denied 393 U.S. 826 (1968) and Kingsrow Enterprises, Inc. v. Metromedia, Inc. 397 F. Supp. 879, 881 (S.D.N.Y. 1975)). See also Bartsch, 391 F.2d at 153 ("The development of a 'federal common law' of contracts is justified only when required

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[3] The remaining claims include copyright infringement, unfair trade practice, wrongful possession, and failure to provide an accounting.)

[4] 35 Stat. 1075. In 1947, the Copyright Act was codified as 17 U.S.C. § 1 et seq. 61 Stat. 652. In 1976, Title 17 was revised in its entirety. 90 Stat. 2541.

by a distinctive national policy and . . . the general interest that copyrights, like all other forms of property, should be enjoyed by their true owner is not enough to meet this test." (citations omitted).

Plaintiff has not pointed to, and this Court has not found, any case holding that a contract expressly providing for a perpetual license incident to a copyright must be limited to the initial term of the copyright. Rather, plaintiff cites precedent dictating only that where a contract is silent as to the duration of licensed rights, such rights continue until the expiration of the initial copyright term. In April Productions v. G. Schirmer, 308 N.Y. 366, 375 (1955), plaintiff's main authority, the original license at issue stated no specific duration. The court held that a contract to pay royalties could not, in the absence of express language, be construed to require payment after the expiration of the underlying copyrights.[5]

In strong contrast, there exists a stream of cases involving perpetual license rights in which courts interpreting such licenses have not even discussed whether any constitutional limitations inhere from the Copyright Clause of the Constitution. Speaking in terms of contractual intent, courts routinely recognize the right to enter into perpetual licenses incident to copyrighted material. See DIC Animation City, Inc. v. McNaught Syndicate Inc., 1993 WL 77377, *1 (S.D.N.Y. March 15, 1993) (analyzing license for

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[5] Similarly, in Warner-Lambert Pharm. Co. v. John J. Reynolds, Inc., 178 F. Supp. 655, 664 (S.D.N.Y. 1959), aff'd 280 F.2d 197 (2d Cir. 1960), the court merely repeated the law of Schirmer: "(A) license agreement under a patent or copyright, in the absence of express language to the contrary, is construed to require the payment of royalties only until the expiration of the underlying grant. (emphasis added)" The court explained this rule in terms of contractual intent -- not constitutional limitations -- stating that "[s]uch a construction of the license is in all likelihood in accord with the unexpressed or imperfectly expressed intention of the parties." The court concluded that "when parties agree upon a license under a patent or copyright the court will assume, in the absence of express language to the contrary, that their actual intention as to the term is measured by the definite term of the underlying grant fixed by statute." Warner-Lambert, 178 F. Supp. at 664.

perpetual merchandising rights in cartoon); Brown v. Twentieth Century Fox Film Corp., 799 F. Supp. 166, 168 (D.D.C. 1992) (perpetual license to reproduce entertainer's television performance), aff'd 15 F.3d 1159 (D.C. Cir. 1994); Rooney v. Columbia Pictures Industries, Inc., 538 F. Supp. 211, 214 (S.D.N.Y.) (perpetual license to photograph and reproduce actor's appearances and likeness), aff'd 714 F.2d 117 (2d Cir. 1982), cert. denied, 460 U.S. 1084 (1983); General Mills, Inc. v. Filmtel International Corporation, 599 N.Y.S.2d 820, 821 (App. Div. 1993) (license for perpetual exhibition rights for an animated cartoon series); Tele-Pac, Inc. v.Grainger, 552 N.Y.S.2d 550, 551 (Sup. Ct. 1990) (license granting perpetual distribution rights of film) rev'd on other grounds, 570 N.Y.S.2d 521 (App. Div. 1991); Two Star Films, Inc. v. Movietonews, Inc., 420 N.Y.S.2d 30, 30 (App. Div. 1979) (license to distribute series of 39 films in perpetuity).[6]

Moreover, giving effect to perpetual license rights -- beyond the initial copyright term -- does no harm to copyright principles that seek to protect the public's interest in copyrighted material after the statutorily granted monopoly period. In Scott Paper Co. v. Marcalus Mfg. Co, 326 U.S. 249, 255-56 (1945), the Supreme Court explained the rationale behind patent (and, analogously, copyright) grants:

> By the patent laws Congress has given to the inventor opportunity to secure the material rewards for his invention for a limited time, on condition that he make full disclosure for the benefit of the public of the manner of making and using the invention, and that upon the expiration of the patent

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[6] The leading treatise on copyright, cited liberally by the parties, counsels no differently: "[T]he vast bulk of copyright contractual issues must be resolved under state law, given the silence of the Copyright Act in addressing such issues as . . . how to construe ambiguous contractual language." 3 Melville B. Nimmer and David Nimmer, Nimmer on Copyright §. 1.01[Bl [3] [a] (1992) The treatise continues: "Principles of contract law are generally applicable in the construction of copyright assignments, licenses and other transfers of rights." 3 Nimmer on Copyright § 10.08.)

> the public be left free to use the invention. . . . [T]he means adopted by Congress of promoting the progress of science and the arts is the limited grant of the patent monopoly in return for the full disclosure of the patented invention and its dedication to the public on the expiration of the patent . . . .
>
> The public has invested in such free use by the grant of a monopoly to the patentee for a limited time. Hence any attempted reservation or continuation . . . of the patent monopoly, after the patent expires . . . runs counter to the policy and purpose of the patent laws.

Scott Paper, 326 U.S. at 256. Similarly, in Brulotte v. Thys Company, 379 U.S. 29, 32-33 (1965), the Supreme Court declared that a patent royalty agreement projecting beyond the patent's expiration date is unlawful per se because "the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there." Again, the Court emphasized the public domain: "The exaction of royalties for use of a machine after the patent has expired is an assertion of monopoly power in the post-expiration period when, as we have seen, the patent has entered the public domain." Brulotte, 379 U.S. at 33.

In strong contrast, defendants seek no such unlawful extension of copyright monopoly through exercise of their distribution rights. P.C. Films renewed its copyright; as such, defendants continue to exercise their license during the statutorily granted period. More importantly, the Basic Agreement is merely a contract between two private parties, under which plaintiff promises that its distribution of the Picture will be exclusively through defendants. The contract neither affects the process through which the Picture will fall into the public domain at the expiration of the renewal term, nor prevents others from distributing the Picture at that time. At that point, rather, the Basic Agreement will remain what it has always been – a distribution agreement between plaintiff and defendants, enforceable between the parties. Defendants do not contend otherwise.

Clearly, a copyright is different from a distribution license. The Copyright Act of 1909 itself implicitly made this distinction.

Under the act, a copyright was an indivisible "bundle of rights," incapable of assignments in parts. Goldwyn Pictures Corp. v. Howells Sales Co.,, 282 F. 9, 11 (2d Cir. 1922) First Financial Marketing Services Group, Inc. v. Field Promotions, Inc, 286 F. Supp. 295, 298 (S.D.N.Y. 1968) A transfer of anything less was a mere "license," not an assignment of the copyright itself. Misbourne Pictures Ltd. v. Johnson, 90 F. Supp. 978, 981 (S.D.N.Y. 1950) aff'd, 189 F.2d 774 (2d Cir. 1951) . Accordingly, analysis of a copyright's duration should not necessarily apply when considering the duration of a distribution license.

Plaintiff attempts to resuscitate its case with a discussion of renewal rights. In this regard, plaintiff points to a well established presumption against finding a conveyance of rights for the renewal period. See Corcovado Music Corp. v. Hollis Music, Inc., 981 F.2d 679, 684 (2d Cir. 1993) . Plaintiff then asserts that defendants, distribution rights do not extend beyond the initial copyright term because defendants did not specifically include the phrase "renewal term" in relevant Basic Agreement provisions pertaining to these rights.

Courts, however, do not require inclusion of the precise phrase "renewal term" to find conveyance of rights beyond the initial term. For example, in Siegel v. National Periodical Publications,Inc., 364 F. Supp. 1032, 1037 (S.D.N.Y. 1973), aff'd 508 F.2d 909 (2d cir. 1974), the court found that an instrument granting the exclusive right to use "forever" the characters and story of the Superman comic strip impliedly included rights in the renewal period.[7] See also Epoch Producing Corp. v. Killiam Shows, Inc., 522 F-2d 737, 747 (when "there is no specific reference in (the] assignment to the renewal term . . . [t]his deficiency has generally been held as a matter of law, absent

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[7] Tellingly, judicial discussion of renewal rights has hinged on contractual intent, and not on limitations inherent in the Copyright Clause. See, e.g., Venus Music Corp. v. Mills Music, Inc., 261 F.2d 577 (2d Cir. 1958); Edward B. Marks Music Corp. v. Charles K. Harris Music Publishing Co., 255 F.2d 518 (2d Cir. 1958), cert. denied 358 U.S. 831 (1958).

contrary evidence, to preclude a holding that a transfer of renewal rights was intended." (emphasis added)), cert. denied 424 U.S. 955 (1976). [8]

With these legal principles in mind, this Court now considers the contractual arrangement in this case. The Basic Agreement sets forth the duration of the licensed distribution rights -- they are "perpetual," and are given "in perpetuity." These terms are unambiguous and convey a plain, ordinary meaning. Perpetual means forever. Cruden v. Bank of New York, 957 F.2d 961, 976 (2d Cir, 1992) (a written contract "is to be interpreted so as to give effect to the intention of the parties as expressed in the unequivocal language they have employed") Hunt Ltd. v. Lifschultz Fast Freight, Inc., 889 F.2d 1274, 1277 (2d Cir. 1989) (contract terms should be given their plain and ordinary meaning). Thus, this Court finds that the parties to the Basic Agreement intended for the instrument to convey perpetual distribution rights, i.e. rights that last forever.

Even assuming some ambiguity could be found in the straight forward terms "perpetual" and "in perpetuity," Melniker's deposition -- cited liberally by defendants and plaintiff -- lays the issue to rest. See Sayers v. Rochester Tel. Corp. Supp. Mgmt. Pension Plan, 7 F.3d 1091, 1095 (2d Cir. 1993) (where contractual language is ambiguous, parties may submit extrinsic evidence of parties, intent as an aid to construe contractual language); State v. Home indem. Co., 495 N.Y.S.2d 969, 971 (App. Ct. 1985) (same). The testimony elaborates the meaning of these terms as intended by the negotiating parties:

Q In your understanding, does the term "perpetual" mean forever?

A Yes, it does.

Q In your understanding, when did the perpetual term end?

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[8] This result is consistent with the approach outlined in Nimmer on copyright: "[I]t cannot be stated that no language short of express mention of renewals or extensions will be effective to convey renewal rights. It is the intention of the parties as derived from their written language and, where admissible, extrinsic evidence, which controls." 2 Nimmer on Copyright § 9.06 [A].

A It doesn't end. We have that picture.
Q Would it be for 30 years?
A It would be forever.
Q A hundred years?
* * *
A Forever.

(Melniker Deposition, J.Ex. 15 at R294) Moreover, Melniker's statements indicate that discussion pertaining to distribution rights occurred separately from that regarding the underlying copyright retained by Bronston. (Melniker Deposition, J.Ex. 15 at R344-45).

Accordingly, this Court finds that the Basic Agreement's contractual language is both plain and unambiguous in its provision of perpetual distribution rights. Even if this Court were to find an ambiguity, Melniker's testimony reaffirms that the parties intended to convey perpetual rights.

Finally, this Court notes that any other result reached would work an injustice not only to the parties, but more generally to those contracting in the film distribution and financing industry. Plaintiff's suit seeks termination of a contract that is standard in the industry, under which it is bound by assignment. For example, the Entertainment Industry Contracts Negotiating and Drafting Guide advises that a party drafting a film production-financing/distribution agreement should "specify Territory and Term, e.g. the world and in perpetuity." The Guide further advises that "distribution rights can be treated distinctly from the copyright ownership in the picture," and that "[i]n a commonly-used arrangement . . . the financier/distributor will want the sole and exclusive right to distribute the picture by any and all media throughout the world in perpetuity." 1 Donald Farber, Entertainment Industry Contracts 15-51 (1994). See also Renee Harmon, The Beginning Filmmaker's Business Guide: Financial, Legal, Marketing, and Distribution Rights of Making Movies 89 (stating that distribution period for distribution agreement is "usually perpetuity"); John W. Cones, Film Finance & Distribution 147 (defining distribution agreement as "the contract between a film's producer and its distributor through which the distributor commits to distribute the film . . . for a set period of time (sometimes in perpetuity)"). Plaintiff's argument would call such standard contracts into question, undercutting normal

commercial transactions in the film industry.

CONCLUSION

For the reasons stated above, this Court determines that defendants, distribution rights were not coterminous with the Picture's initial copyright term. As such, this Court finds for defendants, and denies plaintiff's request for declaratory relief. The Clerk is directed to enter judgment accordingly.

BARBARA S. JONES

United States District Judge
Dated: New York, New York
January 30, 1997

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

P.C. FILMS CORP.,

Plaintiff,

-against-

91 CIV 1594 (BSJ)

TURNER ENTERTAINMENT CO.,
MGM/UA HOME VIDEO, INC.,
MGM/UA COMMUNICATIONS CO.,
AND WARNER HOME VIDEO INC.,

Defendants.

Whereas the above-entitled action having been assigned to the Honorable Barbara S. Jones, United States District Judge, who on January 30, 1997, having issued her Opinion (78012), finding for defendants and denying plaintiffs request for declaratory relief it is,

ORDERED, ADJUDGED AND DECREED: That pursuant to the Court's Opinion (78012) dated January 30, 1997, the court determines that the defendants' distribution rights were not coterminous with the picture's initial copyright term, accordingly, the court finds for defendants, and denies plaintiffs request for declaratory relief.

DATED: New York, New York
February 18, 1997

JAMES M PARKISON
CLERK
BY:
DEPUTY CLERK

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

P.C. FILMS CORP.,

Plaintiff,

91 Civ. 1594
ORDER

TURNER ENTERTAINMENT CO.,
MGM/UA HOME VIDEO, INC.,
MGM/UA COMMUNICATIONS CO.
AND WARNER HOME VIDEO, INC.,

Defendants.

Barbara S. Jones, United States District Judge:

This Court previously issued an opinion on plaintiff's first cause of action ("Previous Opinion"), dated January 30, 1997, finding for defendants and denying plaintiff's request for declaratory relief.

Whereas the parties have agreed that the Previous Opinion governs disposition of plaintiff's additional five claims, this Court dismisses these claims with prejudice.

Pursuant to the parties' agreement, defendants' counterclaims are dismissed without prejudice.

The Clerk is directed to enter final judgment accordingly.

So ordered.

BARBARA S. JONES

United States District Judge
DATED: White Plains, NY
March 14 , 1997

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

P.C. Films Corp,.

Plaintiff,

-against-

Turner Entertainment Co.,
MGM/UA Home Video, Inc.,
MGM/UA Communications Co.
And Warner Home Video, Inc.,

Defendant,

91 CIVIL 1594 (BSJ)

JUDGMENT

Whereas the above entitled action having been assigned to the Honorable Barbara S. Jones, U.S.D.J., and the Court thereafter on March 14, 1997, having handed down its order, whereby the Court previously issued an opinion on plaintiff Is first cause of action ("Previous Opinion") , dated January 30, 1997, finding for defendants and denying plaintiff's request for declaratory relief.

Whereas the parties have agreed that the Previous opinion governs disposition of plaintiff's additional five claims, this Court dismisses these claims with prejudice.

Pursuant to the parties' agreement, defendant's counterclaims are dismissed without prejudice it is,

ORDERED, ADJUDGED AND DECREED: That parties have agreed that the Previous opinion governs disposition of plaintiff's additional five claims, this Court dismisses these claims with prejudice.

Pursuant to the parties, agreement, defendants, counterclaims are dismissed without prejudice.

Dated: White Plains, New York
March 18, 1997

James M. Parkinson,
Clerk

Copyright Act of 1909

§ 1. Exclusive rights as to copyrighted works

Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

(a) To print, reprint, publish, copy, and vend the copyrighted work;

(b) To translate the copyrighted work into other languages or dialects, or make any other version thereof, if it be a literary work; to dramatize it if it be a nondramatic work; to convert it into a novel or other nondramatic work if it be a drama; to arrange or adapt it if it be a musical work; to complete, execute, and finish it if it be a model or design for a work of art;

(c) To deliver, authorize the delivery of, read, or present the Copyrighted work in public for profit if it be a lecture, sermon, address or similar production, or other nondramatic literary work; to make of procure the making of any transcription or record thereof by or from which, in whole or in part, it may in any manner or by any method be exhibited, delivered, presented, produced, or reproduced; and to play or perform it in public for profit, and to exhibit, represent, produce, or reproduce it in any manner or by any method whatsoever. The damages for the infringement by broadcast of any work referred to in this subsection shall not exceed the sum of $ 100 where the infringing broadcaster shows that he was not aware that he was infringing and that such infringement could not have been reasonably foreseen; and

(d) To perform or represent the copyrighted work publicly if it be a drama or, if it be a dramatic work and not reproduced in copies for sale, to vend any manuscript or any record whatsoever thereof; to make or to procure the making of any transcription or record thereof by or from which, in whole or in part, it may in any manner or by any method be exhibited, performed, represented, produced, or reproduced; and to exhibit, perform, represent, produce, reproduce it in any manner or by any method whatsoever and...

§5. Classification of works for registration

The application for registration shall specify to which of the following classes the work in which copyright is claimed belongs:

. . . .

(l) Motion-picture photoplays.

(m) Motion pictures other than photoplays.

. . . .

§24. Duration, renewal and extension

The copyright secured by this title shall endure for twenty-eight years from the date of first publication, whether the copyrighted work bears the author's true name or is published anonymously or under an assumed name: *Provided,* That in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further,* That in the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work, the author of such work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower or children be nor living, then the author's executors, or in the absence of a will, his next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright; *And provided further,* That in default of the registration of such application for renewal and extension, the copyright in any work shall determine at the expiration of twenty-eight years from first publication.

§26. Terms defined

In the interpretation and construction of this title, "the date of publication " shall in the case or a work or of which copies are reproduced for sale or distribution be held to be the earliest date when copies of the first authorized edition were placed on sale, sold or publicly distributed by the proprietor of the copyright or under his authority, and the word "author" shall include an employer in the case of works made for hire.

. . . .

Copyright Act of 1976

§101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their varient forms mean the following:

"Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

"Registration", for purposes of sections 205(c)(2), 405, 406, 410(d), 411, 412, and 506(e), means a registration of a claim in the original or the renewed and extended term of the copyright.

. . . .

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

. . . .

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

. . . .

§ 117. Limitations on exclusive rights: Computer programs

Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaption of that computer program provided:

(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner

. . . .

§ 203. Termination of transfers and licenses granted by the author

(a) **Conditions of termination.** In case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by opne author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest...

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

. . . .

§ 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and

whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

. . . .

§304. Duration of copyright: Subsisting copyrights

(a) Copyrights in Their First Term on January 1, 1978. -Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for twenty-eight years from the date it was originally secured: *Provided,* That in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further,* That in the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work, the author of such work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his or her next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further,* That in default of the registration of such application for renewal and extension, the copyright in any work shall terminate at the expiration of twenty-eight years from the date copyright was originally secured.

. . . .

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

P.C. FILMS CORP.,

Plaintiff,

-against-

COMPLAINT
Docket No.

TURNER ENTERTAINMENT CO.,
MGM/UA HOME VIDEO, INC.,
WARNER HOME VIDEO, INC.,
AND MGM/UA COMMUNICATIONS CO.

Defendants.

Plaintiff, by its attorney, Carl I. Kaminsky, complaining of defendants, alleges:

JURISDICTION AND VENUE

1. This court has subject matter jurisdiction of the first, fourth, fifth and sixth claims under 28 U.S.C. §1332(a) because the plaintiff and defendants are citizens of different states and the matter and controversy exceeds the sum and value of FIFTY THOUSAND ($50,000.00) DOLLARS, exclusive of interest and costs. Venue is proper under 28 U.S.C. §1391(a).

2. This court has subject matter jurisdiction of the second and third claims under 28 U.S.C. §1338(a) which claims arises under the Copyright Act 17, U.S.C. §1, et seq. Venue is proper under 28 U.S.C. §1400(a).

THE PARTIES

3. P.C. Films Corp. (hereinafter referred to as "plaintiff") is a New York corporation, whose principal place of business is in the State of New York within the Southern District.

4. Defendant Turner Entertainment Co. (hereinafter referred to as "defendant Turner Entertainment") is a Georgia corporation, which has its principal office in Atlanta, Georgia and has an office and can be found within the Southern District.

5. Defendant MGM/UA Home Video, Inc. (hereinafter referred to as "defendant MGM/UA Home Video") is a Delaware corporation, which has its principal office in Los Angeles, California and has an office and can be found within the Southern District.

6. Defendant MGM/UA Communications Co. (hereinafter referred to as "defendant MGM/UA Communications") is a Delaware corporation, which has its principal office in Los Angeles, California and has an office and can be found within the Southern District.

7. Defendant Warner Home Video, Inc. (hereinafter referred to as "defendant Warner Home Video") is a Delaware corporation, duly authorized to do business in the State of New York and which has its principal office in Burbank, California and can be found within the Southern District... License Agreement required preparation and delivery to the plaintiff of truthful accounting.

. . . .

WHEREFORE, plaintiff demands

1. With respect to the first claim, declaratory judgment that defendant Turner Entertainment Co. have no further rights in the King of Kings License Agreement, nor does any licensees or any of such licensees' assignees including, but not limited to, defendants MGM/UA Home Video, Inc., MGM/UA Communications Co. and Warner Home video, Inc. have any further rights with respect to the Picture.

2. With respect to the second and third claims

(a) defendants, their agents, servants, employees and attorneys and each of them be enjoined during the pendency of this action and permanently from

(i) infringing the copyright to the Picture evidenced by Renewal Certificate No. RE448607 owned by plaintiff in any manner;

(ii) distributing copies of the Picture to the public by sale or other transfer of ownership by rental, lease or lending;

(iii) performing the Picture publicly;

(iv) reproducing the Picture and copies;

(v) preparing derivative work based on the copyrighted work and to perform the Picture publicly;

(vi) displaying individual images of the Picture publicly or privately; and

(vii) taking any act which would interfere with any rights of plaintiff under the 1909 Copyright Act, as amended and the 1976 Copyright Act, as amended.

(b) Defendants and each of them be required to pay to plaintiff

such damages as plaintiff has sustained in consequence of each defendant's respective infringement, subsequent to December 31, 1989 of the copyright and said unfair trade practices and unfair competition and to account for

(i) all monies or any rights of property, tangible or intangible, to acquire or have right to any property right resulting from each defendant's infringement;

(ii) all gains, profits and advantages derived from each of the defendants by said trade practices and unfair competition or gains, profits and advantages derived by each defendant by its respective infringement of plaintiff's copyright or such damages as to this Court shall appear proper in accordance with the copyright statutes, but in no event shall each defendant be liable not less than the sum of ONE HUNDRED THOUSAND ($100,000.00) DOLLARS.

(c) Defendants be required to deliver up to be impounded during the pendency of this action all copies of the Picture and other Picture Materials in each of the respective defendant's possession or under its control and to deliver up for destruction all infringing copies for making such infringing copies.

(d) Defendants, jointly and severally, pay to plaintiff attorney's fees and costs to be allowed to the plaintiff by this Court.

3. With respect to the fourth claim

(a) declaring that plaintiff is the owner of the Picture Materials entitled to its immediate possession and each of the items;

(b) directing defendant Turner Entertainment Co. to immediately deliver the Picture Materials and each of the items to Plaintiff; and

(c) in the event possession of the Picture Materials cannot be obtained, that plaintiff have judgment for THIRTY MILLION ($30,000,000.00) DOLLARS with interest thereon from December 31, 1989.

4. With respect to the fifth claim

(a) declaring that plaintiff is the owner of the Videocassette Materials entitled to its immediate possession;

(b) directing defendants MGM/UA Home Video, Inc., MGM/UA Communications Co. and Warner Home Video, Inc. to immediately deliver the Videocassette Materials to plaintiff;

(c) in the event possession of the Videocassette Materials cannot be obtained, that plaintiff have judgment for FIFTY THOUSAND

($50,000.00) DOLLARS with interest thereon from December 31, 1989.

5. With respect to the sixth claim

(a) defendants account for all its acts and for all monies received by it from its exercise of the King of Kings License Agreement;

(b) defendants pay all monies shown by the account to be due the plaintiff; and for such other and further relief as this court deems proper, together with the costs of this action.

Dated: New York,
New York February 26, 1991

CARL I. KAMINSKY
Attorney for Plaintiff
Office & P.O. Address
60 East 42nd Street
New York, New York 10165
Tel. No. (212) 687-2080
S.S. #6165

APPLICATION FOR REGISTRATION OF A CLAIM TO COPYRIGHT in a motion picture - L-M IP 23206

1. Copyright Claimant and Address -
METRO-GOLDWYN-MAYER INC. and SAMUEL BRONSTON PRODUCTIONS, INC., 1540 Broadway, New York 36, N.Y.
2. Title -
KING OF KINGS
3. Nature of Work -
Photoplay, 14,444 feet
4. Author -
METRO-GOLDWYN-MAYER INC. and SAMUEL BRONSTON PRODUCTIONS, INC. 1540 Broadway, New York, 36, N.Y.
5. Date of Publication -
October 30, 1961 : Place - U.S.A
7. Charge to -
M.G.M. MOTION PICTURE DEPOSIT
8. Refund should be sent to -
METRO-GOLDWYN-MAYER INC., 1009 New Jersey Ave. N.W. WASHINGTON D.C.
9. Send Certificate to -
METRO-GOLDWYN-MAYER INC., 1009 New Jersey Ave. N.W. WASHINGTON 1, D.C.
10. Certification -
s/ O. Ebert

For Copyright Use Only:
Application Received - Oct 15 1962
Two Copies Receiver - Oct 15 1962
Title and Description receiver - Oct 15 1962
RE 448-607
Renewal - RE 1647-633

Know all men by these presents: That for good and valuable consideration, receipt of which is hereby acknowledged, the undersigned, Samuel Bronston Productions, Inc., as co-copyright owner with Metro-Goldwyn-Mayer, Inc., of the certain feature

motion picture presently entitled "King of Kings", which was registered for copyright in the Copyright Office of the United States of America as a published work by and in the name of the undersigned and Metro-Goldwyn-Mayer, Inc. on October 30, 1961, No. LP 23206, hereby confirms that all of its rights in said motion picture are now held by P.C. Films Corp., a New York corporation, under and pursuant to a Plan of Reorganization dated November 15, 1967, between the undersigned and P.C. Films Corp., which said Plan of Reorganization being by this reference thereto made a part hereof. The undersigned hereby also confirms, grants and assigns, all of the rights, licenses, privileges and interests of the undersigned in said work during the original term of said copyright and any permissible renewals or extensions thereof. Furthermore, the undersigned warrants and represents that it has not heretofore made any grant, encumbrance or other disposition to any others of any right, title or interest in said work.

Dated: November 15, 1967

SAMUEL BRONSTON PRODUCTIONS, !NC.

By: John Rubinich, Secretary

STATE OF NEW YORK)
COUNTY OF NEW YORK) SS:

On the 15th day of November, 1967 before me came John Rubinich, to known, who, being by me duly sworn, did depose and say that he resides at 57-10 43rd Avenue, Woodside, New York; that he is the Secretary of SAMUEL BRONSTON PRODUCTIONS, Inc. the corporation described in, and which executed, the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal' that is was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

CERTIFICATE OF REGISTRATION Form RE
United States Copyright Office

This certificate issued under the seal of the copyright Office in acccordance with Title 17, United States Code, attests that registration has been made for the work identified below. The information on this certificate has been made a part of the Copyright Office records.

Barbara Ringer
Acting Register of Copyrights

Registration Number
Number RE 448-607
Effective date of Renewal Registration
Date Dec 18 1989

1. Renewal Claimants, Address and Statement of Claim -
(see instructions)
Name - P.C. Films Corp.
Address - 60 East 42nd Street, Suite 2320, New York, New York 10165
Claiming as - Proprietor of a copyright in a work made for hire

2. Title of Work in Which Renewal is Claimed
KING OF KINGS, Samuel Bronston Productions. Released by Metro-Goldwyn Mayer. 151 Minutes, sound, Technicolor, 70mm Super Technirama.
Renewable Matter - Entire Work

4. Original Registration Number:
Lp 23206
Original Copyright Claimant: Metro-Goldwyn-Mayer, Inc. and Samuel Bronston Productions, Inc.
If the original registration for this work was made in published form give:
Original date of publication - 10/30/61

RE 448-607 **Examined by GE**
Renewal Application Received Dec 18, 1989

Correspondence:
6. Carl I. Kaminsky
60 East 42nd Street, Suite 2320
New York, New York 10165
Date: November 7, 1989

Certification: I the undersigned hereby certify that I am (Check one) X duly authorized agent of P.C. Films Corp.
of the work identified in this application and that the statements made by me in this application are correct to the best of my knowledge;
Handwritten signature s/Carl I. Kaminsky
Typed or printed name: Carl I. Kaminsky

CERTIFICATE OF REGISTRATION

Form RE
United States Copyright Office
Registration Number
Number RE 442-633
Effective date of Renewal Registration
Date Dec 18 1989

1. Renewal Claimants, Address and Statement of Claim - (see instructions)

Name - Turner Entertainment Co. (Successor in Interest to Metro-Goldwyn-Mayer Inc.)

Address - One CNN Center, Box 105366 Atlanta, Georgia 30348-5366

Claiming as -Proprietor of a copyright in a work made for hire

Name - Samuel Bronston Productions, Inc., c/o Turner Entertainment

Address - One CNN Center, Box 105366 Atlanta, Georgia 30348-5366

Claiming as - Proprietor of a copyright in a work made for hire

2. Title of Work in Which Renewal is Claimed

KING OF KINGS

Renewable Matter - Blank

3. Authors of Renewable Matter -

Metro-Goldwyn-Mayer Inc. and Samuel Bronston Productions, Inc.

4. Original Registration Number:

Lp 23206

Original Copyright Claimant: Metro-Goldwyn-Mayer, Inc. and Samuel Bronston Productions, Inc.

If the original registration for this work was made in published form give:

Original date of publication - 10/30/61

RE 442-633 **Examined by: BC**

Renewal Application Received
October 25, 1989

Correspondence

6. Turner Entertainment Co.
   One CNN Center, Box 105366
   Atlanta, Georgia 30348-5366

Certification: I the undersigned hereby certify that I am (Check one) X duly authorized agent of Turner Entertainment Co.
of the work identified in this application and that the statements made by me in this application are correct to the best of my knowledge;

Andrew J. Velcoff, Vice-President
October 20, 1989

Motion Picture Agreement

Between the United States of America, acting through the Librarian of Congress (herein referred to as the Librarian), and-

METRO-GOLDWYN-MAYER INC. and SAMUEL BRONSTON PRODUCTIONS, INC.
(herein referred to as the Claimant).

WHEREAS:

(a) The undersigned Claimant expects to deposit in the Copyright Office, from time to time, copies of various motion pictures for the registration of its claims of copyright therein; and

(b) The copies so deposited are subject to the Librarian's determination, pursuant to section 213 of Title 17, United States Code, as to whether such copies shall be added to the collections of the Library of Congress (herein referred to as the Library); and

(c) The librarian will ultimately select, from among the various motion pictures so deposited, those of which one copy is to be added to the Library's collections; and pending such selection, one copy of every motion picture deposited is to be kept available for addition to the Library's collections; and

(d) Because of the high cost of making copies of motion pictures, the Claimant desires that the copies so deposited by it be released to it, as soon as possible after deposit, for its use in commercial exhibition of the motion pictures, pending the Librarian's selection of those to be added to the Library's collections; and

(e) In view of the expenses that the Librarian would necessarily incur in storing and maintaining the deposit copies of motion pictures pending such selection, and so long as the Librarian has assurance that a good copy of each motion picture ultimately selected by him will be delivered to the Library at its request, the Librarian does it advisable that the copies of motion pictures deposited by the Claimant be released to the Claimant upon the Claimant's obligation to deliver a good copy of each such motion picture to the Library at the Library's request.

NOW THEREFORE, it is hereby agreed that;

1. The Claimant hereby requests, and the Librarian hereby agrees, that the copies of each motion picture deposited by the Claimant for copyright registration will be released to the Claimant, subject to the terms of this Agreement, provided that this Agreement shall not apply to newsreels.

2. During the period of two years after the release of the deposit copies to the Claimant, or until one copy is delivered to the Library in compliance with paragraph 3, the Claimant will at all times keep in its custody or control one good copy of the motion picture as the property of the Library and subject to the Library's order.

. . . .

6. The Librarian may terminate this Agreement at any time upon thirty days' notice to the Claimant. Such termination shall apply only to motion pictures of which copies are thereafter deposited by the Claimant, and shall not affect the rights of the Library or the obligations of the Claimant with respect to any motion pictures of which copies have been released to the Claimant under paragraph 1.

7. This Agreement shall be binding on the successors and assigns of the Claimant. It two or more Claimants (whether signatory to this copy or other copes of this Agreement) request the release to any of them of copies of a particular motion picture, they shall be jointly and severally
responsible as Claimants with respect to that motion picture.

The United States of America

Executed Sept. 4, 1962 by s/ L. Quincy Mumford
Librarian of Congress

METRO-GOLDWYN-MAYER, INC.
Claimant

by s/ Benjamin Melnick
Attorney in fact for Claimant
Title - Vice-President
Address 1540 Broadway, New York, NY

SAMUEL BRONSTON PRODUCTIONS, INC.
Claimant
by s/ Leon Potlach
Title - Vice-President
Address - 505 Park Avenue
New York 22, NY

METRO GOLDWYN-MAYER, INC.
1540 Broadway
New York, New York

Dated 8/4/60

Samuel Bronston Productions, Inc.,
15 East 48th Street,
New York, N. Y.

Gentlemen:

You have Informed us that your company, under the terms of a participation agreement between Samuel Bronston Productions, Inc. and Nazareth Production Company (a New York Limited Partnership in which at the present time Pierre S. du Pont 3rd is a limited partner and Samuel Bronston is the general partner) has in production a motion picture based on the life of Christ entitled "KING OF KINGS".

You have further informed us that, pursuant to the provisions of the aforesaid participation agreement, as amended, the distribution rights in this motion picture for Germany, France, Belgium, Holland and Luxembourg have been assigned to Nazareth Production Company.

In addition, we understand that the distribution rights for Spain and Portugal are to be completely excluded from this agreement and from all other agreements and arrangements between us.

You have also advised us that Caribe Curacao, N.V., a Netherlands Antilles corporation, has been assigned all distribution rights in this motion picture, except as to Spain, Portugal, Germany, France, Belgium, Holland and Luxembourg, which rights are held by Caribe Curacao, N.V. as security in connection with certain loans made to you by that company and to secure certain guarantees given by Caribe Curacao, N.V. and/or its affiliated companies on your behalf. You have assured us that these distribution rights held as security by Caribe Curacao, N.V. will be released to us free and clear of any and all liens of every kind,

subject to and in accordance with the terms and conditions which are hereinafter more specifically stated.

You desire to grant to us and to cause Caribe Curacao, N.V. to release to us, and we are desirous of acquiring, world distribution rights (except as hereinabove and hereinafter limited) in this motion picture. Accordingly this letter, its Exhibits and all other agreements herein incorporated by reference, shall constitute the entire agreement between us, except for such amendments as we may in writing and from time to time mutually agree upon, with respect to the production by you and the distribution by us of said motion picture.

1. In consideration of the mutual covenants and agreements between us as set forth herein and as set forth in the distribution agreement attached hereto (the references herein to the distribution agreement attached hereto shall mean and refer to Exhibit "I" attached hereto), you hereby agree, subject to the terms and conditions hereof, to produce the "photoplay" (the term "photoplay", wherever used herein, shall mean the motion picture production entitled "KING OF KINGS" at its then stage of production, post-production, release, etc., and this term is used interchangeably herein with the term "motion picture") in accordance with the provisions hereof and to deliver such "photoplay" to us promptly upon its Completion, and we hereby agree that upon your delivery to us of the completed "photoplay", (so produced in accordance with the provisions hereof), we will undertake to distribute it (in accordance with this agreement and EXHIBIT "I" attached hereto) in the territories in which we have acquired the distribution rights.

. . . .

3. Said photoplay shall be a feature motion picture, with such artistic, pictorial and dramatic quality so as to describe it as a Class "A" photoplay suitable and desirable for presentation to the public in first-class motion picture theaters throughout the world.

It is acknowledged that by reason of the select matter of the photoplay (i.e., the life of Christ), the photoplay may be banned from import and/or exhibition in certain countries and/or territories.

Said motion picture shall be an English-language motion picture (that is, photographed and recorded with the dialogue, singing and other lip-movement elements being in the English language), photographed for wide-screen presentation and in color, and for such purpose the Technirama Technicolor processes shall be used. If for any reason these processes are not employed we shall have approval of the color and wide-screen process which you may desire to substitute therefor. Said motion picture is being photographed and produced in Spain, except with respect to certain recording, dubbing, synchronization, cutting and editing which, at your option, may be done at the Metro-Goldwyn-Mayer British Studios in London, England if, at the time you require such facilities, same are available for your use.

The principal photography of the said motion picture commenced on May 9, 1960. You have estimated that the period of shooting in Spain will be twenty (20) weeks.

Notwithstanding the foregoing, the final cutting and editing of the photoplay shall be performed in cooperation with the Head of our Studios in California, and if we elect, all or part of such cutting and editing shall be performed at our said California Studios and any extra cost caused by the cutting and editing being performed at our Studios in California (instead of at some other place) shall be advanced by us and shall be recouped as a direct distribution expense pursuant to sub-division (b) of Paragraph 8 below.

. . . .

8. Subject to our having delivered our note and letter commitment to Caribe Curacao, N.V., as provided in paragraph 7 above and subject to the provisions of paragraph 11 below, we shall retain in perpetuity the exclusive right to distribute the said motion picture throughout the world except in Spain, Portugal, Germany, France, Belgium, Holland and Luxembourg transferred to us by Caribe Curacao, N.V. upon the signing hereof. Such distribution rights shall include all the customary rights, which are more fully described in Exhibit "I' attached hereto, and all theatrical, non-theatrical, motion pictures and television rights and all other such rights and you represent, warrant and agree that the distribution rights which Caribe Curacao, N.V. shall release to us upon the execution hereof and which we shall retain as above

recited shall be and include all such rights and your representation, warranty and agreement to this effect in of the very essence of this agreement.

. . . .

11. Subject to the provisions of this agreement we shall be vested with the perpetual and exclusive right to distribute the said motion picture "KING OF KINGS" throughout the territories in which we acquire rights hereunder (to which shall be added the optioned territories mentioned in paragraph 9 above if we exercise our option), which such distribution rights shall be as described in paragraph 8 above and which shall also include our exclusive right to the benefit and enjoyment, for all purposes, of all negative, positive and other material related to such motion picture within our said territory, it being agreed, however, that we shall acquire neither copyright proprietorship nor legal title in the said motion picture nor in any of said properties related thereto, including ownership of the negative. Not withstanding that we shall have perpetual and exclusive distribution rights in the said motion picture as above provided, we agree that if at any time after a period of twenty-one (21) years following our general release of the said motion picture in a particular country of our territory or after a period of twenty-four (24) years from the date of this agreement, whichever shall first expire, such motion picture "KING OF KINGS" shall not be in distribution theatrically or on television in such country or territory, and on condition that we shall have recouped all moneys to which we are entitled to recoupment, together with our distribution fees and direct distribution expenses, you shall then have the right to notify us that you desire that the said motion picture be released theatrically or on television in such particular country or territory. We shall then either undertake such release, or if we fail to do so, within a reasonable time not to exceed ninety (90) days, then you shall have the right to negotiate for a release theatrically or on television by some other distributor, provided, however, you shall not conclude any distribution transaction with any such other distributor unless we shall first be given the right to preempt the proposed distribution terms and ourselves distribute in such country or territory, and further provided that in no event shall such third-party distributor's rights be granted for any period in excess of

three (3) years. In the event of a distribution in any such country or territory by a third-party distributor, then of course we shall not be entitled to any distribution fees or expenses with respect to receipts derived from such country or territory. Any such contract entered into with a third-party distributor in accordance with the foregoing shall require such third-party distributor to render copies of distribution statements to us, setting forth all receipts and all expenses deductible therefrom, and such statements shall be submitted to us no less frequently than each three (3) months during the term of the third-party distributor's distribution period. We shall also be entitled to copies of the distribution agreement with the third-party distributor and any and all other documents and agreements relating thereto.

Nothing contained herein shall detract from or in any way affect our continuing and perpetual right to receive forty percent (40%) of the "net profits", as hereinabove provided in paragraph 8, it being understood that such "net profits" shall be computed after the said third-party distributor's distribution fees and authorized distribution expenses have been recouped.

. . . .

19. It is understood and agreed that upon the delivery to us of the "work print" as is hereinabove in paragraph 7 provided, you shall grant and assign to us a first lien upon your ownership interest in the photoplay which shall be no less than undivided 75% ownership interest in whatever state of completion the photoplay may be and all properties therein including but without being limited to the copyright thereto and upon our right to share in the gross receipts and revenue derived or to be derived therefrom, said first lien shall secure the repayment to us of the face amount of the promissory note (Exhibit "X") which we are required to deliver to Caribe Curacao, N.V. pursuant to the provisions of paragraph 7 and the following additional amounts as and when such payments are made or such events occur:

(a) One Million Dollars ($1,000,000.00) should we deliver to Caribe Curacao, N.V. our promissory note (Exhibit "Z") in the amount of one Million Dollars ($1,000,000.00) as a result of our exercising our option according to the provisions of paragraph 9 above? and

(b) An amount equal to the amount of each and every additional

cash payment made by us to Caribe Curacao, N.V. as called for and pursuant to our unconditional letter commitment (Exhibit "Y"), and

(c) An amount equal to the amount of payments or advances made by us and which we are entitled to recoup pursuant to the provisions of either paragraph 8(c)A or 8(c)B, as the case may be, less such amounts computed under (a) and (b) above which are in duplication of the amount contemplated herein; and

(d) An amount equal to the amount of our unrecouped direct distribution expenses (see Exhibit "B" annexed to Exhibit "I" affixed hereto).

You further agree that upon the delivery to us of the "work print" as aforesaid, to execute or cause the execution of and delivery to us, from time to time, as we may desire, such chattel mortgages, supplemental mortgages, copyright mortgages, assignments and notices thereof, pledges and other security instruments (and short forms thereof for recording purposes) as we may desire, evidencing said lien in all countries and territories throughout the world and in the states of the United States.

You also agree that upon the delivery to us of the "work print" as aforesaid, to execute and deliver to us chattel mortgages complying with the foregoing provisions hereof for the countries of England and Spain, and the states of California and New York, the chattel mortgages for which latter jurisdictions shall be in the form as that annexed hereto as Exhibit "V". Each such security instrument shall be in a form complying with the laws of the country, state or territory in which the same is executed or with respect to which the same is to be recorded or filed and shall comply with the formalities required for the recordation or filing, which recordation or filing is permitted or mandatory. You further hereby irrevocably appoint, make and designate us your attorney-in-fact, with authority exercisable upon the delivery of the "work print" as aforementioned, to prepare and execute all such instruments for you and in your name and to record or file the same...

. . . .

EXHIBIT "I"

PROVISIONS RELATING TO PRODUCTION OF THE PHOTOPLAY

Section I

2. Contracts

. . . .

Each such contract shall also provide that the employee will fully keep and perform all of his obligations and agreements thereunder; that, if and to the extent permitted by law the Producer and its assigns shall be entitled to injunctive and other equitable relief to prevent a breach of the agreement by the employee; that, in the event that the Distributor assumes control of the production of the photoplay the employee shall render services for the Distributor under such contract if so required.

. . . .

WARRANTY AND INDEMNITY PROVISIONS

Section 2

. . . .

4. INDEMNITY: For the purposes of this Article and the succeeding Articles of this Section, the Distributor and its subdistributors and licensees and its and their officers, agents and employees, are hereinafter referred to as the "indemnitee". The Producer agrees to indemnify the indemnitee and each of them and to hold them and each of them harmless from and against any and all claims, actions, causes of action, liability, damages, judgments, decrees, losses, costs and expenses, including reasonable attorneys fees, which may be made, asserted, brought or obtained against or suffered, sustained, paid or incurred by them or any of them based upon, by reason of, or in connection with any breach or failure or claim of breach or failure of any of the warranties made in Article I of this section, including but not limited to any amount paid by any indemnitee in settlement of any such claim, action or cause of action.

5. CLAIMS: The Distributor is hereby granted authority and power of attorney to assert, prosecute, handle and settle ——— all

claims or actions and causes of action against any and all persons for the unauthorized or illegal use, copying, reproduction, release, distribution, exhibition or performance of the photoplay or any part or version thereof or of the literary, dramatic and/or musical material upon which it is based or which is used therein or any part or version thereof or for the enforcement or protection of all or any rights herein granted or purported to be granted to the Distributor, and any not recoveries obtained therefrom (after the deduction of all costs and expenses incurred in connection therewith) shall be included in the gross receipts hereunder. The Distributor may join the Producer as party plaintiff, as its attorney-in-fact, in any action brought pursuant to the foregoing. The Distributor is also hereby granted authority and power of attorney to handle, defend or settle all claims, actions and causes of action referred to in Articles 3 and 4 of this Section, or the Distributor may require the Producer to defend any claim, action or cause of action covered by Article 4 of this Section and to assume the full responsibility and cost of the defense or settlement thereof. The Producer shall have the right to cooperate and participate at its own expense in the defense and/or settlement of any claim, action or cause of action handled by the Distributor. The Distributor shall give notice of any such claim or litigation to the Producer. This term "action .. shall be deemed to include all manner of suits, actions and proceedings at law or in equity or before any administrative, judicial or governmental agency or before any ...

PROVISIONS RELATING TO DISTRIBUTION OF THE PHOTOPLAY

Section 3

DISTRIBUTION

1. DISTRIBUTION RIGHTS: The Distributor shall have and is hereby granted the sole and exclusive right and license, under copyright and other protection, throughout the license territory (as said license territory may be extended by the Distributor's exercise of option as provided for in the agreement to which this Exhibit is attached):

(a) To distribute, exhibit, exploit, market, televise, perform and otherwise use and deal in the photoplay (including the sound track thereof) and film, air and television trailers thereof, on film of any kind or size (including but not limited to 35mm., 16mm., and 8mm.), and by any other means or method now or hereafter known or invented publicly or privately, for any uses or purposes whatsoever, including theatrical, non-theatrical, home and commercial purposes and purposes of trader;

(b) Independently of the exhibition of the photoplay, but for the purpose of advertising and exploiting the photoplay, to reproduce and perform the sound track thereof and all other sound recorded in connection with the production of the photoplay, including the right to broadcast the same by radio and television with living actors or by electrical transcriptions or otherwise; and also to use such sound and soundtrack for the production of records for home use or sale to the public;

(c) To advertise the photoplay by any and every means (except as expressly provided to the contrary herein), and particularly but without limiting the generality of the foregoing, to exercise all rights, licenses and powers of every kind which the Producer has acquired or may acquire in or with respect to the literary, dramatic and/or musical material on which the photoplay is based or which is included therein and the names, voices and likenesses of actors, actresses and other personnel involved in the production of the photoplay, for advertising, publicity and exploitation purposes in connection with the photoplay, including (to the extent that the Producer has acquired or may acquire the same) radio, television, publication and commercial tie-up rights;

(d) To use the title or titles by which the photoplay is or may be known or identified;

(e) To permit, authorize and license others to exercise and sublicense all or any of the Distributor's rights and licenses hereunder.

2. DISTRIBUTORS OBLIGATION: The Distributor agrees to distribute the photoplay or cause it to be distributed in good faith in accordance with the business policies and practices of the Distributor....nor the Producer shall be entitled to any distribution fees with respect to any distribution of the photoplay under any distribution contract entered into by the Producer pursuant to the

provisions of this Article.

. . . .

9. COPYRIGHT: The Producer shall place a proper copyright notice in the main title of the photoplay, in conformity with the laws of the United States governing the form and content of copyright notices, designating the Producer as the copyright proprietor. The Distributor shall take such steps, if any, with regard to the registration of the copyright in the United States Copyright Office (in the name of the Producer as copyright proprietor), as it normally and customarily takes with respect to its own photoplays. The Distributor shall also take such steps with respect to obtaining or registering the copyright of the photoplay in foreign countries or territories of the license territory, an it normally and customarily takes with respect to its own photoplays and such copyright or copyrights may be taken in its own name or in the name of any of its subsidiaries, affiliated companies or licensees as copyright proprietor. The Distributor does not represent or warrant that the steps normally and customarily taken by the Distributor with respect to obtaining copyright, in the United states or elsewhere, are such that valid copyright will result, and assumes no responsibility or liability to the Producer should such steps be determined not to be sufficient for obtaining valid copyright. Notwithstanding that any foreign copyright or copyrights shall be taken in the name of the Distributor or its subsidiary or affiliated companies or licensees, an aforesaid, it is hereby understood and agreed that such copyright or copyrights shall be held in trust by the Distributor and such other companies for the Producer.

. . . .

14. ADVERTISING: The Producer agrees that the Distributor shall have the sole and exclusive right to advertise and publicize the photoplays and to cause them to be advertised and publicized, throughout the world, to such extent and by such means and media an it may determine, except as otherwise herein expressly provided to the contrary, and except as provided for in the agreement to which this Exhibit is attached with reference to the special advertising and exploitation unit and the selection of the

independent advertising agency (if any) to be used in connection with the distribution of the photoplay. It is further agreed that the Distributor shall have the sole and exclusive right, for the purpose of advertising and exploiting the photoplay:

(a) to publish and cause to be published and otherwise to use excerpts, dialogue, summaries, serializations, novelizations and short stories of or from or based upon the photoplay and the screenplay thereof and to publish other written material, whether similar or dissimilar to the foregoing, and whether or not specifically referring to the photoplay;

(b) to broadcast by radio and television, by living persons and/or from transcriptions or records or by other means, all or any part of the matter contained in the photoplay or upon which it is based or excerpts, dialogue, summaries, novelizations or dramatic adaptations thereof or based thereon;

(c) to use the names and likenesses of the cast and other personnel connected with the photoplay in connection with the advertising and exploitation of the photoplay, including commercial tie-ups. For the purposes of this agreement, a "commercial tie-up", is a type of advertising or exploitation in which some product, service or commodity, in addition to the photoplay, is advertised;

(d) to enter into and exploit commercial tie-ups with respect to the photoplay.

The rights of the Distributor under this Article shall be subject to such restrictions, if any, of which the Distributor is duly given written notice, as may be contained in the Producer's contract relating to the photoplay, but the Producer shall not agree to any restrictions which are not usual or customary in the motion Picture industry nor to any restrictions which in the judgment of the Distributor will unreasonably hamper or interfere with the proper exploitation of the photoplay. Without limiting the foregoing provisions, it is understood that the Distributor shall have the right to give reasonable advertising allowances to franchise holders, licensees and exhibitors and to arrange for and contribute to cooperative advertising, all such matters to be within the sole control of the Distributor. No advertising, publicity or exploitation of any kind relating to the photoplay shall be issued or

placed by the Producer without the prior written approval of the Distributor.

15. POSITIVE PRINTS: The Distributor shall order from Technicolor such number of positive prints, dupe negatives, fine grain prints and sound track of the photoplay or any part thereof, and replacements thereof, and order such other motion picture laboratory work from Technicolor an the Distributor shall deem necessary for the proper distribution of the photoplay. If for any reason Technicolor shall be unable to supply the prints and/or other laboratory work which Distributor may require or order, then it is agreed that Distributor shall have the right to obtain such prints and/or other laboratory work from any other source as Distributor may elect.

16. RESIDUAL RIGHTS IN LITERARY PROPERTY: The Producer shall not exercise or license any rights with respect to any literary property included in the photoplay or on which the photoplay is based at any time in the license territory, without the written approval of the Distributor; and, similarly, the Distributor agrees it will not exercise or license the exercise of any rights in or with respect to any such literary property as to the photoplay, except in connection with the advertising and exploitation thereof without the written approval of the Producer. Neither party shall remake the photoplay or produce any sequel thereto or authorize any other person so to do without the consent of the other party. Notwithstanding anything to the contrary elsewhere contained in this agreement, it is expressly agreed that the Producer shall not at any time, and shall not at any time have the right to, televise or license or permit others to televise the photoplay or any part thereof, except as expressly permitted by this Exhibit of the agreement attached hereto and then only upon and subject to the further conditions:

(a) that the producer, at its own expense, shall first comply with and perform all conditions and obligations, if any to which the Distributor may then be subject in connection therewith, including but not limited to the payment of any amounts payable in connection therewith under or pursuant to the provisions of any collective bargaining agreement or other agreement to which the Distributor is now or hereafter may become subject or a party, and

(b) that such televising of such photoplay or any part thereof

will not give rise to any right of cancellation of any such collective bargaining agreement. Notwithstanding anything herein to the contrary the restrictions contained herein shall not be applicable to the Distributor in the event that it "takes over" the Photoplay pursuant to applicable provisions of the agreement to which this Exhibit is attached.

. . . .

PROVISIONS RELATING TO GROSS RECEIPTS AND THE DISBURSEMENT THEREOF

Section 4

RECEIPTS AND DISBURSEMENTS

1. GROSS RECEIPTS: The term "gross receipts", as used herein,means all moneys actually paid to and received by the Distributor in dollars in the United States or in other currencies freely remittable to the United States as rentals or license fees for licenses to televise, exhibit or distribute the photoplay, except as follows:

. . . .

MISCELLANEOUS PROVISIONS

Section 5

. . . .

4. LAW GOVERNING CONTRACT: This agreement shall be construed pursuant to the laws of the State of New York. This agreement constitutes the entire agreement between the parties hereto and may be modified only by written instrument duly executed by each of the parties hereto. No person has any authority to make any representation of promises on behalf of either of the parties not set forth herein, and this agreement has not been executed in reliance upon any such representation or promise. No waiver by any party of any breach of this agreement shall be deemed to be a waiver of any preceding or succeeding breach.

6. DEFINITIONS: The following words and phrases as used

herein have the following meaning:

(a) "Motion picture" or "photoplay" means a talking motion picture as now known and all Improvements and developments thereof, whether now known or unknown.

(b) "Radio", "television" or similar terms shall include the present as well as all future developments of the radio and television arts.

(c) "Licensees" includes sub-licensees and "subsidiaries" includes sub-subsidiaries. "Affiliates" or "affiliated companies" means corporations affiliated through stock ownership or control.

(d) "Person" means any person, firm or corporation or other business organization or entity.

(e) "Distributor" includes, wherever the context so requires, its subsidiary and affiliated companies.

(f) Where references are made herein to theaters, operated or controlled by the Distributor, or any of its subsidiaries or affiliates, such references shall be construed as exclusive of theaters owned, but not actually operated, or the operation and management of which is not actually controlled by the Distributor or any such subsidiary or affiliate.

7. CAPTIONS: The captions of the various sections, Articles and Sub-Articles of this agreement are intended to be used solely for convenience of reference and are not intended and shall not be deemed for any purpose whatsoever to modify or explain or to be used as an aid in the construction of any of the provisions of this agreement.

EXHIBIT V

. . . .

Mortgage of Chattels
Assignment and Pledge

By this Mortgage, made this ...day of ...19... by SAMUEL BRONSTON PRODUCTIONS, INC.,...a Delaware Corporation, mortgagor, to METRO-GOLDWYN-MAYER, INC.,...a Delaware Corporation, mortgagee, the mortgagor, herein called "Producer" mortgages and assigns to and pledges with mortgagee the property herein described as security for the obligations hereinafter set forth.

1. Description of property. The property hereby mortgaged, pledged and assigned, is described as follows: (a) The feature length motion picture photoplay (herein referred to as the "picture") produced or to be produced by Producer, now entitled "KING OF KINGS"... which title is subject to change, based upon an original story by... and a shooting script by Philip Yordan... under Samuel Bronstein as producer, and to be distributed by Metro-Goldwyn-Mayer, Inc.

(b) All of the right title and interest of Producer in the literary, musical, dramatic and other material upon or from which in whole or in part, the picture is based or adapted or which is used or included in the picture, and the copyrights, renewals and extensions of copyrights, and rights of copyrights, in such material;

. . . .

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

P.C. FILMS CORP.,

Plaintiff,

-against-

TURNER ENTERTAINMENT CO.,
MGM/UA HOME VIDEO, INC.,
MGM/UA COMMUNICATIONS Co.,
and WARNER HOME VIDEO, INC.,

Defendants.

Deposition of BENJAMIN MELNIKER as a nonparty witness, taken by the defendants, pursuant to agreement, at the offices of Pryor, Cashman, Sherman & Flynn, Esqs., 410 Park Avenue, Now York, New York, on January 9, 1992 at 10:35 A.M., before Shauna Curry-Laurie, a shorthand reporter and notary public of the State of New York.

Q. Do you remember what was the nature of the proposed transaction between Bronston and Metro Goldwyn-Mayer? Do you remember?

Without referring to the agreement, do you remember the nature of the transaction, to your own knowledge?

A. Yes. We got -- we paid a certain amount of money, in return for which we got the perpetual distribution rights to "King of Kings" throughout the world. I think there was a time, and something was involved with an option or something like that.

Q. You are talking about a perpetual distribution.

How do you come to that answer, that there was perpetual distribution?

A. First of all, our policy was always to get perpetual distribution rights. Here, the amount of money five million sticks in my head, because it was that even figure and because of the lawyers involved dealing over this period. And that was an enormous amount of money...

. . . .

Q. Under your understanding, and I know the contract speaks for itself and I ask you to read this. I don't want to make a speech, but there's a reason. I'm trying to elicit your testimony with respect to the negotiation, if any, of copyright ownership and distribution right, term of distribution rights. So I will ask you a question now.

Q. To your own knowledge, do you remember any of the negotiations with respect to the term of distribution rights for the proposed picture, "King of Kings"?

A. Yes. We were to get perpetual distribution rights.

Q. How do you know that? Who told you that?

A. I know this because that is the deal that was given to me by the executive of the company and that is the deal I reported to the board of directors. That's the deal they approved, and that's the deal that was incorporated in the agreement.

. . . .

Q. Did you have any conversations with Mr. Sam Bronston with respect to the term of the distribution rights?

A. I don't recall specific conversaton with Bronston, though I may have.

. . . .

Q. What is your understanding of perpetual right?

A. Perpetual rights. Perpetual distribution rights means that the company granted the perpetual rights would be able to distribute the picture perpetually.

. . . .

Q. In your understanding, does the term "perpetual" mean forever.?

A. Yes, it does.

Q. In your understanding, when did the perpetual term end?

A. It doesn't end. We have that picture.

Q. Would it be for 30 years?

A. It would be forever.

Q. A hundred years?

MR. FERBER: He has answered the question.

Q. Would it be for 100 years?

A. Forever.

. . . .

Q. Metro-Goldwyn-Mayer was listed as a claimant; is that correct?

A. Claimant?

Q. yes, claimant for copyright.

A. This was done in order to protect the copyright on the picture. And in order to do that under the practice Metro-Goldwyn-Mayer had to be part of this thing and be owner of the copyright and to have its name there, in order to got the benefit of the copyright under the arrangement with the Library of Congress.

. . . .

Q. During the negotiation for "King of Kings" do you recall any representatives of any of the other parties, you know, Nazareth Productions or Samuel Bronston Productions, ever expressing a desire or expressing a wish that the distribution license which MGM would acquire in "King of Kings" would be for less than a perpetual, unlimited term?

A. Absolutely not . We never would have continued the negotiation if that happened.

MR. KAMINSKY: Note my objection. But it is a matter of conjecture.

Q. So you do not recall --

A. There was no mention of any shorter term of distribution than perpetual. It was understood from the very -- it was agreed to from the beginning, and the whole basis was on that term, perpetual term of distribution. Nobody brought up anything to the contrary.

. . . .

Q. As best you can recall, would MGM be in the position of putting $5 million in the investment of a motion picture to be produced by another entity, if it got distribution rights for less than perpetual term?

A. We would not do that. It was against our policy. we did not do it and we would not do it....

A. Yes.

. . . .

Q. In drafting that agreement, did you make any nexus or connection between the duration of the distribution license which MGM would acquire and the term of the copyright in the motion papers?

MR. KAMINSKY: The motion papers -

MR. FERBER: Please don't interrupt. It is my examination.

Q. Do you want the question read back? A Yes.

(A portion of the record was read.)

MR. FERBER: Change "papers" to "pictures."

A. (Continuing) There was no grant -- we got perpetual distribution rights from the entity that was able to give us that grant. That was a perpetual grant to distribution rights. Now, the copyright is something different, and the copyright is for the original term and then it was renewed. But the distribution rights go on continuously. The grant is not dependent upon -- it is not dependent in the sense that it's not coterminous with the first period of copyright.

Q. Did any one of the attorneys, on either side of the negotiations for "King of Kings," discuss during the negotiations describing the duration of the distribution license in terms of the duration of the copyright terms?

A. Absolutely not.

. . . .

Q. During the negotiation for "King of Kings" do you recall any representatives of any of the other parties, you know, Nazareth Productions or Samuel Bronston Productions, ever expressing a desire or expressing a wish that the distribution license which MGM would acquire in "King of Kings" would be for less than a perpetual, unlimited term?

A. Absolutely not. We never would have continued the negotiation if that happened.

. . . .

Q. Do you recall if MGM's status had an impact on its bargaining power when it did motion picture deals?

A. Yes. There is no question about it, that because of our strong position in the field as I described, as well as our financial situation which was always very good, very healthy, our general representation, we were able to have a very strong position in bargaining with the other side, whether it came to producers, actors or what have you.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------x

P.C. Films Corporation
Plaintiff,
v.

Turner Entertainment Company, et al.

Defendants.

----------x

January 16, 1997
10:30 a.m.

Before:
BARBARA S. JONES
District Judge

Appearances

Carl I. Kaminsky, Esq.
Richard L. Yellen, Esq.
Attorneys for Plaintiff

Pryor, Cashman, Sherman & Flynn
Attorneys for defendants
by:
Stephen Huff, Esq.
Thomas J. Ferber, Esq.
Paige Moore, Esq.
Gary Kline, Esq.

(In Open Court)
(Case Called)

THE COURT: All right. First of all, let me apologize for the delay this morning. I assure you it was unavoidable, so now perhaps we can get started.

I know you were all in some time ago for an initial conference, and I don't think we got very far. It has been some time since

then. What I'd like to do this morning is, if you would, have you give me your argument with respect to the motion. It will help me in deciding the motion, and I know you have been waiting a long time, so what I want you to know is I have directed my attention to this case now. After the argument, we will decide it and hopefully you'll have an opinion before the end of the month so that you can feel that there is something happening here.

. . . .

THE COURT: Can I ask you one question, Mr. Huff?

Is there anything I should make out of the one argument Mr. Kaminsky made about the fact there is no expression about a renewal term in this area, that there are supposedly renewals mentioned in other areas of the contract or renewal terms mentioned?

MR. HUFF: I am grateful you brought it up for this extent. It was brought up, it was in the contract to trigger us to perform a task of sorts at one moment or secure us a right in default, but the reason we don't talk about things like that in the essence of the agreement, in the body of this, we weren't acquiring copyright rights.

Thank you.

(2)

FILED
OCT 26 1998
OFFICE OF THE CLERK
SUPREME COURT, U.S.

No. 98-496

In The

Supreme Court of the United States

October Term, 1998

P.C. FILMS CORP.,

Petitioner,

vs.

MGM/UA HOME VIDEO INC.,
MGM/UA COMMUNICATIONS CO.,
WARNER HOME VIDEO, INC. and
TURNER ENTERTAINMENT CO.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Second Circuit

RESPONDENTS' BRIEF IN OPPOSITION

STEPHEN F. HUFF
Counsel of Record
TOM J. FERBER
PAIGE A. MOORE
PRYOR CASHMAN SHERMAN
& FLYNN LLP
Attorneys for Respondents
410 Park Avenue
New York, New York 10022
(212) 421-4100

149283

Counsel Press LLC
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STATEMENT PURSUANT TO RULE 29.6

Pursuant to Rule 29.6, corporate respondents list the following as their parent companies and nonwholly owned subsidiaries:

(i) with respect to Turner Entertainment Co.: Time-Warner, Inc.;

(ii) with respect to Warner Home Video, Inc.: Time-Warner, Inc. and MediaOne Group, Inc.;

(iii) with respect to MGM/UA Home Video, Inc. and MGM/UA Communications Co.: Metro-Goldwyn Mayer, Inc.

TABLE OF CONTENTS

	Page
Statement Pursuant to Rule 29.6	i
Table of Contents	ii
Table of Cited Authorities	iv
Preliminary Statement	1
Statement of the Case	2
A. Background Facts	2
B. The Litigation	5
The Decisions Below	6
A. The District Court Decision	6
B. The Second Circuit Decision	8
Reasons for Denying the Writ	11
I. This Court Need Not Address The Constitutional Issues Raised Prematurely By Petitioner	11
II. MGM's Distribution Right Is A Permissible, Perpetual Contract Between The Parties Which Consists Of More Than A "Copyright License"	13

Contents

Page

A. Petitioner's Arguments Are Premised Upon A Mischaracterization of the Basic Agreement 13

B. The Basic Agreement Is Not Preempted By Federal Copyright Law 14

C. There Is No Conflict Among The Circuits 16

D. The Basic Agreement Did Not Terminate At The Expiration Of The Initial Term Of Copyright 19

III. The Distribution Rights Conveyed By The Basic Agreement Do Not Alter Rights Granted By Copyright Statutes So As To Invade The Scope Of Copyright Law Or Violate Its Policies 22

Conclusion 26

TABLE OF CITED AUTHORITIES

Page

Cases:

Abrams v. Van Schaick, 293 U.S. 188, 55 S. Ct. 135, 79 L. Ed. 278 12

American Airlines, Inc. v. Wolens, 513 U.S. 219, 115 S. Ct. 817, 130 L. Ed. 2d 715 (1995) 17

April Productions, Inc. v. G. Schirmer, Inc., 308 N.Y. 366 (N.Y. Ct. App. 1955) 20

Ashwander v. Tennessee Valley Authority, 297 U.S. 288, 56 S. Ct. 466 (1936) 11, 12, 13

Burton v. United States, 196 U.S. 283, 25 S. Ct. 243, 39 L. Ed. 482 12

Chemical Bank v. Affiliated FM Ins. Co., 815 F. Supp. 115 (S.D.N.Y. 1993) 20

Corcovado v. Hollis, 981 F.2d 679 (2d Cir. 1993) 20, 21

Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340, 111 S. Ct. 1282 (1991) 17

Goldstein v. California, 412 U.S. 546, 93 S. Ct. 2303 (1973), *reh'g denied*, 414 U.S. 993, 94 S. Ct. 27 (1973) 15

Hendler & Murray v. Lambert, 147 A.D. 2d 444, 537 N.Y.S. 2d 560, 563 (2nd Dept.), *app. denied*, 74 N.Y. 2d 603, 543 N.Y.S. 2d 396 (1989) 24

Table of Cited Authorities

	Page
In re Castle Braid Co., 145 F. 224 (S.D.N.Y. 1906) ..	24
In re Kazmierczak, 24 F.3d 1020 (7th Cir. 1994)	20
Lasercomb America, Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990)	17, 18
Liverpool, N.Y. & Phila. Steamship Co. v. Emigration Commissioners, 113 U.S. 33, 5 S. Ct. 352, 28 L. Ed. 899	12
Mendelsohn v. A & D Catering Corp., 119 Misc. 2d 581, 464 N.Y.S. 2d 331 (Sup. Ct. Kings Cty. 1983), *aff'd*, 100 A.D. 2d 209, 437 N.Y.S. 2d 481 (2nd Dept. 1984)	24
Mulligan v. Fioravera, 228 A.D. 270, 239 N.Y.S. 438 (1st Dept.), *aff'd*, 255 N.Y. 539 (1930)	24
P.C. Films Corp. v. Turner Entertainment Co., 954 F. Supp. 711 (S.D.N.Y. 1997) 7, 8, 11, 14, 19, 22	
ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996)	16, 17
Rano v. Sipa Press, Inc., 987 F.2d 580 (9th Cir. 1993)	16
Shedlinsky v. Budweiser Brewing Co., 163 N.Y. 437, 57 N.E. 620 (1900)	9, 24, 25

Table of Cited Authorities

	Page
Siegel v. National Periodical Publications, Inc., 364 F. Supp. 1032 (S.D.N.Y. 1973), *aff'd*, 508 F.2d 909 (2d Cir. 1974)	9, 21
S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989)	16
Terrace Sav. & Loan Ass'n v. Martin, 236 N.Y.S. 2d 674 (Sup. Ct. Kings Cty. 1963)	24
Vault Corp. v. Quaid Software, Ltd., 847 F.2d 255 (5th Cir. 1988)	18
Warner-Lambert Pharmaceutical Company, Inc. v. John J. Reynolds, Inc., 178 F. Supp. 655 (S.D.N.Y. 1959), *aff'd*, 280 F.2d 197 (2d Cir. 1960)	21
Weil v. Neary, 22 F.2d 893, 895 (2d Cir. 1927), *rev'd on other grounds*, 278 U.S. 160, 49 S. Ct. 144 (1929)	23
Western Union Tel. Co. v. American Communications Ass'n, C.I.O., 299 N.Y. 177 (1949)	24
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Table of Cited Authorities

Page

Statute:

17 U.S.C. § 301(a) 15

Other Authorities:

"Copyright Term Extension Act of 1997," H.R. 604. . 12

§ 117 of the 1976 Act 18

Webster's Third New International Dictionary (1981) 9

PRELIMINARY STATEMENT

Respondents Turner Entertainment Co. ("Turner"), Metro-Goldwyn-Mayer, Inc. (the "New MGM"),[1] MGM-UA Home Video, Inc. and Warner Home Video, Inc. (collectively referred to as "Respondents") hereby submit their brief in opposition to P.C. Films Corp.'s Petition For A Writ Of Certiorari dated September 22, 1998 (the "Petition").[2] The Petition seeks this Court's review of the Judgment of the United States Court of Appeals for the Second Circuit (the "Second Circuit") affirming the Judgment of the United States District Court for the Southern District of New York (the "District Court")[3] holding that Respondents' distribution rights in the film "King of Kings," as set forth in the subject financing and distribution agreement, was not coterminous with the film's initial 28 year copyright term, and accordingly denying Petitioner's request for declaratory relief.[4]

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1. New MGM was named in the caption as "MGM/UA Communications Co.," its name at the time.

2. The Petition was docketed with this Court on September 24, 1998.

3. Petitioner had appealed from the opinion and judgment of the District Court (per the Honorable Barbara S. Jones) dated January 30, 1997 and February 18, 1997, respectively. The District Court entered an additional judgment on March 18, 1997, dismissing all of the remaining claims and counterclaims, based on the prior opinion and judgment and the parties' stipulation.

4. The issue on appeal to the Second Circuit was whether Respondents' "perpetual" right to distribute the subject film in the licensed territories, as agreed to by the parties' predecessors in a 1960 contract, continues in effect, or whether such distribution right terminated and reverted to Petitioner at the end of the film's initial 28 year copyright term.

STATEMENT OF THE CASE

This case involves the interpretation of a motion picture production, financing and distribution agreement which was negotiated and entered into in 1960. Petitioner P.C. Films is the assignee of the rights of producer Samuel Bronston Productions, Inc. ("Bronston") in the motion picture "King of Kings" (the "Film"). Defendant Turner is the successor in interest to the rights of the original Metro-Goldwyn-Mayer ("MGM"),[5] which had contracted with Bronston for perpetual distribution rights to the Film in exchange for providing most of the financing for the Film's expensive production budget. The gravamen of Petitioner's claim is that Respondents' distribution rights under the 1960 contract, which were expressly stated as being "in perpetuity," were coterminous with the first copyright term in the Film, which ended on December 31, 1989. Petitioner's first claim for relief, which was adjudicated and rejected by the District Court on stipulated facts (which decision was affirmed by the Second Circuit), sought a declaratory judgment that Defendants' distribution rights in the Film terminated on that date. Plaintiff's remaining claims were dismissed based on this holding.

A. Background Facts

In 1960, MGM entered into negotiations with Bronston concerning the production, financing and distribution of a motion picture about the life of Jesus to be entitled "King of Kings" (the "Film"). The screenplay had been written by Philip Yordan as a "work-made-for-hire" for Bronston. Bronston was seeking financing for the Film, which would ultimately cost over $8 million to produce, in exchange for which it would license distribution rights in the Film.

5. Defendant New MGM, which was incorporated in 1981, is not related to MGM.

Benjamin Melniker ("Melniker"), Vice President and General Counsel of MGM, as well as one of its directors, took the lead in the negotiations on behalf of MGM. Samuel Bronston, assisted by numerous accomplished entertainment lawyers, was also personally involved. Caribe Curacao, N.V. ("Caribe") and Nazareth Production Company ("Nazareth"), the assignees of the various distribution rights in the Film, were also involved in the transaction.[6]

On or about August 4, 1960, the parties entered into an agreement (the "Basic Agreement") concerning the production, financing and distribution of the Film. (A copy of the relevant portions of the Basic Agreement is annexed to the Petition commencing at page 46a.) Pursuant to the terms of the Basic Agreement, MGM provided promissory notes in order to finance $5 million of the total production budget (which was then approximately $6 million, although it was later increased), in consideration of which it was agreed that MGM . . .

> . . . shall retain in perpetuity the exclusive right to distribute the said motion picture throughout the world except in Spain, Portugal, Germany, France, Belgium, Holland and Luxembourg . . .

In addition, MGM acquired an option for the exclusive right to distribute the Film in the Nazareth Territories, which had been excluded.

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6. Nazareth, which was a signatory to the agreement finally reached, held the distribution rights for Germany, France, Belgium, Holland and Luxembourg (the "Nazareth Territories"). Caribe, which was a party to other, related agreements concerning the Film, had been assigned all distribution rights in the Film except for Spain, Portugal and the Nazareth Territories, as security for certain loans which it had extended to Bronston.

On or about December 2, 1960, MGM exercised the option granted in paragraph 9 of the Basic Agreement to acquire the same distribution rights in the Nazareth Territories which it enjoyed in the other licensed territories. At this point, the parties had contracted, as between themselves, for MGM to have perpetual distribution rights in the Film for the entire world except Spain and Portugal. MGM, in turn, agreed to account and pay to Bronston 60% of net profits, as defined in the Basic Agreement, after recoupment.[7]

The Film was first exhibited on or about October 30, 1961. As a result of proceedings in bankruptcy several years later, Bronston assigned its copyright interest in "King of Kings" to P.C. Films Corp., the Petitioner herein.

As a result of a series of assignments, mergers and acquisitions,[8] Turner now owns the distribution rights in the Film which were first acquired by MGM in 1960 pursuant to the Basic Agreement.

Turner is continuing to exercise distribution rights in the Film as the successor to MGM under the Basic Agreement. Warner Home Video, another named defendant in this action, is distributing the Film in home video pursuant to licenses

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7. The complex calculation and distribution of "net profits" is set forth at paragraph 8 of the Basic Agreement.

8. On February 29, 1980, MGM assigned its filmed entertainment business to Metro-Goldwyn-Mayer Film Co. ("MGM Filmco"). MGM Filmco changed its name to MGM/UA Entertainment Company. In March of 1986, TBS Acquisition Corp. was merged into MGM/UA Entertainment Co. The name of the newly-created entity was MGM Entertainment Co. In August of that same year, MGM Entertainment Co. was merged into TBS Entertainment Co. A few days later, TBS Entertainment Co. changed its name to Turner Entertainment Co.

emanating from or through the New MGM (including its affiliates and subsidiaries) and Turner Entertainment Co.

B. The Litigation

In 1990 P.C. Films, as assignee of Bronston's interest in the Film, advised Respondents of its claim that the "perpetual" distribution right for which MGM had contracted in the Basic Agreement was intended to, and under New York law did, terminate on December 31, 1989, at the conclusion of the first 28 year copyright term in the Film.[9]

P.C. Films commenced this action on March 7, 1991. The complaint set forth six claims for relief. The first claim, which was the subject of the trial on stipulated facts in the District Court, was for a declaratory judgment that the distribution license granted in the Basic Agreement terminated on December 31, 1989, and that Respondents have no further distribution rights or other rights with respect to the Film. The remaining claims were for copyright infringement, for unfair trade practices and unfair competition, for replevin of the elements of the Film, for replevin of all videocassette materials for the Film, and for an accounting.

During discovery, the parties took Melniker's deposition. Melniker is the only known remaining witness who has personal

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9. The copyright in the Film was renewed pursuant to filings made by both Turner and P.C. Films in 1989. Turner does not claim, however, to be the copyright proprietor of the Film, and it filed its renewal application naming Bronston as a co-claimant, as MGM had done when it filed for the original copyright registration in 1962. Melniker testified that MGM's name was added, by agreement with Bronston, to enable it to register and hold the copyright in trust for Bronston. This practice was standard MGM policy and facilitated the process of depositing copies with the Copyright Office. Turner similarly registered the renewal copyright in trust for P.C. Films in the names of P.C. Films and Bronston. No assertion of copyright ownership is made by MGM or Turner.

knowledge regarding the negotiation and execution of the Basic Agreement.[10] Melniker testified that it was MGM's general policy to get "perpetual" distribution rights, and that the company would not have invested $5 million in a film being produced by another entity, as it did with "King of Kings," for less than a perpetual term. When asked whether any of the other parties ever express a desire or intention that MGM's term of distribution be for a shorter period, Melniker responded "[a]bsolutely not. We never would have continued the negotiation if that happened." (Page 63a.)

Melniker testified that the duration of the "perpetual" distribution right was intended to be "forever," and was not limited to any specific term of years. Melniker also testified that the original parties to the Basic Agreement never intended the duration of MGM's distribution rights to be measured in terms of the copyright in the Film. (Page 64a.)

Petitioner's declaratory judgment claim was tried on stipulated facts and exhibits, including Melniker's deposition transcript. There was no testimony offered to contradict Melniker and it was agreed that his credibility was not at issue.

THE DECISIONS BELOW

A. The District Court Decision

Petitioner made two basic arguments in support of its claim that the perpetual distribution term contracted for in the Basic Agreement terminated at the end of the Film's initial 28 year copyright term. First, Petitioner argued that this was the parties' intent, and that had the parties intended for the distribution term to include the renewal copyright period, they would have

10. A copy of the relevant portions of Mr. Melniker's testimony are annexed to the Petition commencing at page 61a.

specifically referred to the renewal term or set forth a specified term of years. Second, Petitioner argued that construing the Basic Agreement's "perpetual" distribution term as extending beyond the initial 28 year copyright period would violate those sections of the United States Constitution and the Copyright Act of 1909 (the "1909 Act") which provide that copyright protection must be of limited duration.[11]

The District Court rejected both of these assertions, finding that "plaintiff's argument misconstrues both the nature of licenses related to copyrights, and judicial treatment of such contractual arrangements." *P.C. Films Corp. v. Turner Entertainment Co.*, 954 F. Supp. 711, 713 (S.D.N.Y. 1997). Noting that "courts routinely recognize the right to enter into perpetual licenses incident to copyrighted material" without any concern that constitutional limitations prohibit such grants (954 F. Supp. at 714), and that Petitioner had cited no case holding that such a grant must be limited to the initial copyright term (*Id.* at 713), the court held that

> the private agreement between two parties — which does not affect the movement of the Picture into the public domain once the initial and renewal terms have expired — does not "alter rights granted by the copyright statutes as to invade the scope of copyright law or violate its policies" (*Id.*).

Thus, having found that the "perpetual" right to distribute the Film was a matter of a private contract affecting only the contracting parties' rights and obligations as between themselves, the court held that:

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11. It is this argument on which Petitioner primarily based its appeal to the Second Circuit and currently its Petition to this Court; Petitioner's argument regarding the parties' intent has become secondary.

> [G]iving effect to perpetual license rights — beyond the initial copyright term — does no harm to copyright principles that seek to protect the public's interest in copyrighted material after the statutorily granted monopoly period (*Id.*)

The District Court also rejected Petitioner's argument that the parties to the 1960 Basic Agreement had intended for MGM's distribution right to be coterminous with the initial copyright term, noting that inclusion of the "precise phrase 'renewal term' " is not required, and finding that the use of the term "perpetual" to describe the duration of MGM's distribution right was "unambiguous and convey[s] a plain, ordinary meaning. Perpetual means forever" (*Id.* at 715-16). Accordingly, the Court found that "the parties to the Basic Agreement intended for the instrument to convey perpetual distribution rights, *i.e.* rights that last forever" (*Id.* at 716). Furthermore, the Court found that even if some ambiguity could be found in this term, that Melniker's unchallenged testimony "lays the issue to rest" and establishes that the parties never intended for MGM's distribution right to be coterminous with the initial copyright period (*Id.*).

Finally, the District Court concluded that a consideration of the equities would lead to the same result, since a contrary finding would "work an injustice not only to the parties, but more generally to those contracting in the film distribution and financing industry" who rely on standard industry usage of "perpetual" grants to describe the distribution rights for which, like MGM, they are paying substantial sums (*Id.* at 716).

B. The Second Circuit Decision

In affirming the District Court's decision, the Second Circuit noted that the Supreme Court "has consistently allowed

authors to assign their rights in the renewal term before that term commences." 138 F.3d 453, 457 (2d Cir. 1998). The Court rejected the Petitioner's argument regarding the general presumption against the conveyance of renewal rights, noting that under its holding in *Siegel v. National Periodical Pubs, Inc.*, 508 F.2d 909 (2d Cir. 1974), this presumption may be rebutted where the author includes "language which expressly grants rights in 'renewals of copyright' or 'extension of copyright.' " 138 F.3d at 457. Since the Basic Agreement granted MGM the "perpetual and exclusive right to distribute" the Film, and since " 'perpetual' was sufficiently synonymous with 'forever,' "[12] (*id.*), the Court held that MGM's "perpetual" grant of distribution rights encompassed the renewal term.

The Court added that even if *Siegel* had *not* been controlling,

> the conclusion that the parties in this case intended to convey rights in the renewal term is supported by extrinsic evidence, namely the testimony of the sole surviving participant in the negotiations, MGM's Vice President and General Counsel, Benjamin Melniker.

138 F.3d at 457.[13]

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12. The Court quoted one of the definitions of "forever" from *Webster's Third New International Dictionary* (1981), *i.e.* "continuing forever." 138 F.3d at 457.

13. The Court also cited the maxim of contract interpretation that when a contract "may be performed lawfully, as well as in violation of the law, it is valid, . . . [and the] construction of a contract should be, when it is possible, in favor of its legality . . ." 138 F.3d at 458, citing *Shedlinsky v. Budweiser Brewing Co.*, 163 N.Y. 437, 439, 57 N.E. 620, 620 (1900). The Court explained that "the Basic Agreement can be lawfully interpreted to continue through the renewal period, thereby giving effect to the intention of the parties to the greatest extent possible consistent with the law." *Id.*

The Second Circuit declined to decide the question raised by petitioner of whether a perpetual license of copyright rights is contrary to federal copyright law and policy as it was unnecessary for the Court to reach this question. The Court had already determined that the Respondent's license extended through the renewal term, *i.e.* through the year 2036, based on the clear language of the Basic Agreement and the intent of the parties.[14] Significantly, the Court held that it would therefore be

> premature and therefore inappropriate at this time to decide whether a contract purporting to grant a perpetual license of copyright rights, that is, rights that endure beyond the renewal period, is contrary to federal copyright law and policy. We need not resolve that issue because the renewal term for the film "King of Kings" does not expire until after 2036. We have held that the Basic Agreement's grant of distribution rights "in perpetuity" grants rights through the renewal period. Thereafter, the work will go into the public domain. We decline to decide whether the Basic Agreement imposes restrictions on P.C. Films beyond the renewal period. 138 F.3d at 458.

The Second Circuit also rejected the Petitioner's extraordinary request, which request is reiterated in this Petition, that the term "perpetual" somehow be "removed" from the Basic Agreement, that Melniker's unrebutted testimony also be disregarded, that the contract be treated as one which had been silent as to duration, and that the Court invoke the rule that contracts silent as to duration of the grant of copyright rights convey rights for the initial copyright period only.

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14. The Court stated that, even if it were to assume *arguendo* that the grant was "void," it would not adopt Petitioner's analysis as this "would require the Court to ignore the manifestation of the parties' intention on the issue of duration." 138 F.3d at 458.

REASONS FOR DENYING THE WRIT

I.

THIS COURT NEED NOT ADDRESS THE CONSTITUTIONAL ISSUES RAISED PREMATURELY BY PETITIONER

The District Court and the Second Circuit both determined that, based on the plain language of the Basic Agreement and the manifest intent of the parties, the Respondents were granted an exclusive "perpetual" license to distribute the film "King of Kings," and that this was both intended to and did encompass (at least) the renewal copyright term. Thus, under both decisions, the Basic Agreement *lawfully* extends through the renewal term, *i.e.* through at least the year 2036.[15] As noted above, the Second Circuit specifically declined to address as "premature" Petitioner's asserted constitutional "conflict" concerning the post-renewal term validity of the "perpetual" license. That Court's position is entirely consistent with this Court's long-established doctrines concerning the adjudication of constitutional issues and presents a compelling reason for denying the present Petition.

In *Ashwander v. Tennessee Valley Authority*, 297 U.S. 288, 56 S. Ct. 466 (1936), the Supreme Court discussed the rules it had developed "under which it has avoided passing upon a large part of all the constitutional questions pressed upon it for

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15. The District Court held that Respondents' rights through the renewal term (and indeed beyond) did not "alter rights granted by the copyright statutes so as to invade the scope of copyright law or violate its policies." 954 F. Supp. at 713, 715. The Second Circuit also held that the Basic Agreement "can be lawfully interpreted to continue through the renewal period," *i.e.* without violating any federal copyright law or policy. 138 F.3d at 458.

decision." 297 U.S. at 346, 56 S. Ct. at 482. The second of those rules is applicable here:

> 2. The Court will not "anticipate a question of constitutional law in advance of the necessity of deciding it."

297 U.S. at 346, 56 S. Ct. at 483, citing *Liverpool, N.Y. & Phila. Steamship Co. v. Emigration Commissioners*, 113 U.S. 33, 39, 5 S. Ct. 352, 355, 28 L. Ed. 899; *Abrams v. Van Schaick*, 293 U.S. 188, 55 S. Ct. 135, 79 L. Ed. 278; *Wilshire Oil Co. v. United States*, 295 U.S. 100, 55 S. Ct. 673, 79 L. Ed. 1329. "It is not the habit of the court to decide questions of a constitutional nature unless absolutely necessary to a decision of the case." *Id.*, citing *Burton v. United States*, 196 U.S. 283, 295, 25 S. Ct. 243, 245, 39 L. Ed. 482.

Petitioner urges the Court to grant discretionary review and devote precious resources to the issue of whether the "perpetual" license to distribute the Film will be unconstitutional after the expiration of the Film's copyright protection. However, the question of whether or not the grant will violate federal copyright law once the film passes into the public domain need not be decided until the expiration of the renewal term, *i.e.* until 2036 (or possibly later).[16] As the Second Circuit stated, it is

> premature and therefore inappropriate at this time to decide whether a contract purporting to grant a perpetual license of copyright rights, that is, rights that endure beyond the renewal period, is contrary to federal copyright law and policy. We need not

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16. On October 7, 1998, Congress passed legislation which would extend most copyright terms for an additional 20 years. *See* "Copyright Term Extension Act of 1997," H.R. 604. Foreign copyright terms may also have longer duration.

> resolve that issue because the renewal term for the film "King of Kings" does not expire until after 2036.

138 F.3d at 458.

Here, too, it would be premature and inappropriate for this Court to determine whether a distribution license which two courts and four jurists have already held to be valid through at least the Film's renewal term will violate the copyright principles under the Constitution once the Film passes into the public domain. Respondents maintain that it will not, as did the District Court; however, under *Ashwander*, the Court should not and need not "anticipate a question of constitutional law in advance of the necessity of deciding it" in any event.

II.

MGM'S DISTRIBUTION RIGHT IS A PERMISSIBLE, PERPETUAL CONTRACT BETWEEN THE PARTIES WHICH CONSISTS OF MORE THAN A "COPYRIGHT LICENSE"

A. Petitioner's Arguments Are Premised Upon A Mischaracterization of the Basic Agreement

Petitioner's primary argument on this appeal — that the "perpetual" and "exclusive" grant of distribution rights to MGM was unconstitutional — is based on a tortured and selective reading of the Basic Agreement. Petitioner's assertion that the Basic Agreement created a void and unlawful "perpetual copyright monopoly," by granting "in perpetuity" rights under copyright law which are required to be of limited duration, is premised on a fundamental mischaracterization of MGM's distribution right as a mere "copyright license." MGM's distribution right *expressly* consisted of *more* than copyright

rights and, as the District Court recognized, this "exclusive" and "perpetual" grant was an entirely permissible contract between private parties. Respondents have never claimed, and the District Court and Second Circuit did not hold, that the Basic Agreement gave MGM copyright rights in perpetuity. The constitutional conflict upon which Petitioner bases its appeal simply does not exist. Moreover, Petitioner's argument that the parties did not intend to convey rights extending beyond the Film's initial 28 year copyright term is controverted by the unambiguous language of the Basic Agreement and Melniker's unchallenged testimony regarding the parties' intent.

B. The Basic Agreement Is Not Preempted By Federal Copyright Law

Petitioner argues that that federal copyright law somehow preempts the Basic Agreement, again based on Petitioner's now familiar refrain that the Basic Agreement granted Respondents a perpetual copyright "monopoly." It is *only* by mischaracterizing the Basic Agreement that Petitioner can even make its preemption argument. Of course, as detailed above, no such monopoly was intended or expressed by the parties, or upheld by either of the courts below. Neither the Respondents, the District Court nor the Second Circuit has stated that the Basic Agreement conveyed any rights or protection afforded under copyright beyond the statutorily defined period. There is simply no conflict between the Basic Agreement and federal law.[17]

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17. Indeed, were this Court to accept Petitioner's meritless position, countless agreements involving perpetual rights would be called into question and normal commercial transactions in the motion picture distribution and finance industry (not to mention other industries involving copyrighted works and perpetual rights) would be undercut (954 F. Supp. at 716-17).

The case authority cited by Petitioner for this position is irrelevant to the extent that no conflict exists here between the Basic Agreement and federal copyright law, and is entirely distinguishable in any event. First, while *Goldstein v. California*, 412 U.S. 546, 93 S. Ct. 2303 (1973), *reh'g denied*, 414 U.S. 993, 94 S. Ct. 27 (1973), unquestionably stands for the proposition (later superseded by the preemption section of the Copyright Act of 1976, 17 U.S.C. § 301(a)) that the states retain concurrent jurisdiction to enact legislation consistent with federal copyright law, it also actually *upheld* the validity of a California statute that provided protection similar to copyright *of unlimited duration*. Although the petitioners in *Goldstein* argued, *inter alia*, that the lack of durational limitation in the California statute was in conflict with the constitutional proscription against unlimited copyrights, the Court rejected this argument. As Chief Justice Burger observed:

> When Congress grants an exclusive right or monopoly, its effects are pervasive; no citizen or State may escape its reach. *As we have noted, however, the exclusive right granted by a State is confined to its borders. Consequently, even when the right is unlimited in duration, any tendency to inhibit further progress in science or the arts is narrowly circumscribed. The challenged statute cannot be voided for lack of a durational limitation.* (emphasis supplied)

Id. at 560-1. Although *Goldstein* was later superseded by Section 301 of the 1976 Act, it is interesting to note that the Court found no conflict between a state statute of unlimited duration and federal copyright law or policy.

C. There Is No Conflict Among The Circuits

The other cases cited by Petitioner involve entirely distinguishable facts, and do not reflect a "conflict" among the circuits in any event.

The license agreement at issue in *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), for example, was governed by the 1976 Act and contained *no* durational limitation, unlike the Basic Agreement, which is governed by the 1909 Act and does contain durational provisions. *Id.* at 585. Similarly, in *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989), which concerned a license agreement under the 1976 Act, the Ninth Circuit simply held that the district court had erred by applying the California rule that a contract should be interpreted against the drafter, rather than the federal copyright policy which assumes that licenses prohibit any use not authorized. *Id.* at 1088.

In this case, of course, the courts below applied no state law in contravention of federal copyright policy, but rather simply held that the Basic Agreement legitimately conveyed rights including but not limited to those arising under copyright.

Petitioner's analysis of *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996), entirely misses the mark. Moreover, the holding in *ProCD* actually supports the holdings of the courts below in this case. In *ProCD*, the defendant purchased a software package containing a shrinkwrap license setting forth authorized uses of the information. The defendant downloaded the information, which contained data compiled from hundreds of telephone directories, and made it available on the Internet at a much lower cost, in violation of the terms of the license that had been included with the ProCD software.

The *ProCD* defendant argued, *inter alia*, that the license was unenforceable since the information contained in the software he had purchased was not copyrightable,[18] and that restrictions on its use therefore violated provisions of the Copyright Act. The Seventh Circuit rejected this argument, holding that enforcement of the license did not create rights equivalent to exclusive rights within the general scope of copyright and was thus not preempted by the Copyright Act.[19]

Petitioner's contention that these contractual restrictions "evaded and contractually overruled this Court's holding in *Feist Publications*" is simply incorrect. The *ProCD* Court did not hold that the compilation of telephone directory data *was* entitled to some sort of copyright protection in contravention of the ruling in *Feist*, as Petitioner seems to suggest; rather, the basis for its holding was that, as between the two parties, a private agreement regarding the use of the information was enforceable.

In *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990), the Court held that anti-competitive language contained in a software developer's licensing agreement constituted an attempt on the part of the developer to unfairly

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18. Under *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 111 S. Ct. 1282 (1991), in which this Court held that a telephone book was not sufficiently original to warrant copyright protection.

19. The Court noted that, "[a]lthough Congress possesses power to preempt even the enforcement of contracts about intellectual property . . . courts usually read preemption clauses to leave private contracts unaffected." 86 F.2d at 1454, citing *American Airlines, Inc. v. Wolens*, 513 U.S. 219, 115 S. Ct. 817, 130 L. Ed. 2d 715 (1995). As for the license, the Court observed that "§ 301(a) does not itself interfere with private transactions in intellectual property," and "does not prevent states from respecting those transactions." *Id.* at 1455.

restrict all competition in the area of steel rule die manufacturing. The "egregious" language at issue did much more than restrict the licensee's use of the information licensed; it actually forbade the licensee from developing or assisting in developing any kind of computer-assisted die-making software for the term of the license, *i.e.* 99 years, plus 1 year.

The Ninth Circuit held that the copyright holder could not use its copyright for this purpose, stating that, even if the language did not rise to the level of an actual antitrust violation, it was certainly an abuse of the developer's copyright, and therefore allowed the defendants to assert a defense of "misuse of copyright." Of course, there is no parallel to be drawn between *Lasercomb* and the case at bar. Respondents are engaging in no anti-competitive or other "egregious" behavior; they are merely enforcing the specific rights granted them by Petitioner in the Basic Agreement.

Finally, Petitioner cites the case of *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255 (5th Cir. 1988), in which the Fifth Circuit held that the license agreement there at issue (also governed by the 1976 Act), which incorporated Louisiana's License Act, was in conflict with, and was therefore preempted by, § 117 of the 1976 Act, in that the Louisiana act permitted a software producer to prohibit a licensee from adapting its software through the process of decompilation or disassembly in contravention of § 117.

The facts in the cases cited by Petitioner are distinguishable from those at issue here. To the extent Petitioner claims there is a conflict among the circuits based upon the holdings discussed above, Respondents submit that no such conflict exists, and that the above decisions are factually distinguishable and utterly reconcilable.

More importantly, however, Respondents in this case have not argued — and the District Court and Second Circuit did not sanction — any interpretation of the Basic Agreement that is in conflict with federal copyright law or policy in any event. Petitioner is simply incorrect when it states that there exists a conflict between federal copyright law and the exclusive and perpetual right to distribute under state or common law. Rather, as the District Court correctly held, the Basic Agreement " . . . does not 'alter rights granted by the copyright statutes as to invade the scope of copyright law or violate its policies'" (954 F. Supp. at 713). Accordingly, Petitioner's "preemption" argument must be rejected.

D. The Basic Agreement Did Not Terminate At The Expiration Of The Initial Term Of Copyright

Even if one were to accept Petitioner's mistaken premise that the Basic Agreement purported to grant copyright rights of unlimited duration, it does not follow that the Basic Agreement would have terminated at the expiration of the *initial* term of copyright (as opposed to the expiration of the renewal term). Petitioner's attempt to fill this logical gap is utterly bereft of merit.

Petitioner argues that all references to Respondents' "perpetual" rights should be removed from the Basic Agreement and it should be treated as having no express period of duration. Under copyright law, Petitioner then argues, unless a licensee can show evidence of a contrary intent, a copyright license without an express duration is only effective for the "then existing copyright term" of the work.

Once again, the general proposition cited by Petitioner is correct, but misdirected. In the *absence* of any durational provision or other evidence of the parties' intent, a contractual

grant of rights under copyright would, indeed, be coterminous with the then existing term of protection. *See, e.g., Corcovado v. Hollis*, 981 F.2d 679, 684-85 (2d Cir. 1993); *April Productions, Inc. v. G. Schirmer, Inc.*, 308 N.Y. 366 (N.Y. Ct. App. 1955).

Here, however, even if the Court were to accept Petitioner's misguided assertion that the reference to a "perpetual" term should be ignored and the Basic Agreement "treated as having no express period of duration," the Court would still have ample evidence of the parties' intent to convey rights including rights during the renewal term.[20] First, whether or not the term "perpetual" is *enforceable*, the fact remains that the parties, after months of extensive negotiation, inserted the term into the Basic Agreement as an expression of their *intent*. Further, the unrebutted testimony of Melniker resolves any doubt and reaffirms that the parties intended to convey perpetual rights. Finally, other provisions in the Basic Agreement confirm that the parties intended to convey perpetual rights, including MGM's right to perpetually and exclusively access and use the Film elements.

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20. Respondents respectfully submit, as argued herein, that the proponent of a contract interpretation which reads out of the contract a term of obvious importance to at least one of the parties faces a "distinctly uphill struggle for judicial acceptance." *In re Kazmierczak*, 24 F.3d 1020, 1022 (7th Cir. 1994). *See Chemical Bank v. Affiliated FM Ins. Co.*, 815 F. Supp. 115, 119 (S.D.N.Y. 1993) ("Courts do not favor interpretations of contracts which render some of their language nugatory"). Petitioner has categorically failed to meet its burden since its argument is based on the demonstrably incorrect premise that the Basic Agreement is nothing more than a mere "copyright license." Accordingly, the words "perpetual" and "in perpetuity" should remain in the Basic Agreement and be interpreted based on their plain and unambiguous meaning — that the parties to the Basic Agreement intended to provide for distribution rights in the Film that lasted forever.

As the court aptly held in *Warner-Lambert Pharmaceutical Company, Inc. v. John J. Reynolds, Inc.*, 178 F. Supp. 655, 661 (S.D.N.Y. 1959), *aff'd*, 280 F.2d 197 (2d Cir. 1960), "[i]f the parties intend that the obligation be perpetual they must expressly say so." *See Corcovado v. Hollis*, 981 F.2d at 684-85 (parties to a contract can convey and embrace renewal rights by using words like "forever" and "hereafter") (citing *Siegel v. National Periodical Publications, Inc.*, 364 F. Supp. 1032 (S.D.N.Y. 1973), *aff'd*, 508 F.2d 909 (2d Cir. 1974)). Here, the parties intended the distribution rights to be perpetual, and they did in fact say so. Accordingly, this Court should reject, as did the District Court and the Second Circuit, Petitioner's meritless argument that the Basic Agreement should terminate at the end of the initial term of copyright protection.

Petitioner also contends that the Second Circuit did not place sufficient importance on the fact that P.C. Films renewed the copyright in the Film. This is simply not the case. Both Turner (MGM's successor) and P.C. Films (Bronston's successor) filed renewal applications, with Turner doing so as a "co-claimant" with Bronston, as MGM had done with the initial copyright registration.[21] Petitioner claims that Turner was not an actual copyright proprietor,[22] and that if P.C. Films had not filed its renewal application, MGM would have lost its rights. Petitioner argues that MGM could therefore not have expected to have rights into the renewal term, as those rights

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21. According to Melniker, MGM's name was added to the initial registration to enable it to register and hold the copyright in trust for Bronston. This was done pursuant to the parties' agreement so that Bronston could take advantage of an arrangement MGM had with the Copyright Office which facilitated the process of depositing copies with that office.

22. This is not disputed by Respondents, who claim no copyright ownership in the Film.

were dependent upon the actions of P.C. Films in renewing. As the Second Circuit correctly explained, however,

> it was the realistic commercial expectation of the parties that Bronston would seek to renew the copyright in the Film, otherwise Bronston would lost any federal copyright protection for any of the rights it retained by virtue of the Film falling into the public domain.

138 F.3d at 457-58.

III.

THE DISTRIBUTION RIGHTS CONVEYED BY THE BASIC AGREEMENT DO NOT ALTER RIGHTS GRANTED BY COPYRIGHT STATUTES SO AS TO INVADE THE SCOPE OF COPYRIGHT LAW OR VIOLATE ITS POLICIES

Petitioner has consistently argued that the grants contained in the Basic Agreement somehow violate public policy in that they amount to a "perpetual copyright monopoly" and, thus, will somehow prevent the public from enjoying certain rights when the Film enters the public domain. Conspicuously absent from Petitioner's arguments is any explanation as to how an agreement between two private entities will impose any kind of impermissible restriction on the *public's* rights once the Film enters the public domain.[23] The public will have free access to the Film when that occurs, even though, as between the two parties, Respondents will still have the exclusive and perpetual right to the "benefit and enjoyment for all purposes of all

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23. As noted by the District Court, a "private agreement between two parties — which does not affect the movement of the Picture into the public domain" does not "invade the scope of copyright law or violate its policies" (954 F. Supp. at 713, 715).

negative, positive and other materials related to the Picture" (Basic Agreement, ¶11, pg. 49a),[24] and the corresponding obligation to continue to account to Petitioner.

The "exclusive" and "perpetual" distribution right provided for in the Basic Agreement is entirely permissible when it is construed as Respondents submit it was intended to be: as being "exclusive" and "perpetual" *as between the parties*, rather than as against the public at large. Petitioner contests the validity of the distribution grant by asserting the opposite, *i.e.*, that it unlawfully attempts to provide a perpetual and exclusive copyright "monopoly" as against the world. Petitioner's argument is amply rebutted, however, by basic legal principles regarding contractual interpretation.

First, it is well settled, and the Second Circuit here agreed, that if a party to a contract contests its validity, that party bears the burden of proving that the contract is invalid. *See, e.g., Weil v. Neary*, 22 F.2d 893, 895 (2d Cir. 1927) ("burden of establishing an agreement to be illegal or against public policy rests upon the person asserting it"), *rev'd on other grounds*, 278 U.S. 160, 49 S. Ct. 144 (1929). As the New York Court of Appeals has long held:

> It is a generally accepted rule that when a contract is to do a thing which cannot be performed without the violation of the law it is void; *but when it may be performed lawfully, as well as in violation of the law, it is valid, in the absence, at least, of proof that the intention of both parties was that the law should be violated.* The construction of a contract should be, when it is possible, in favor of its legality . . . *The presumption of a lawful intention must*

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24. This will enable Respondents to continue making first generation theatrical prints of the Film.

> *always prevail, and the burden of overthrowing it is not met by him who asserts it by proof which is quite consistent with a perfectly lawful purpose*, however demonstrating that, if effectuated in a certain way, it would contravene the law. (Internal citations omitted and emphasis supplied.)

Shedlinsky v. Budweiser Brewing Co., 163 N.Y. 437, 439 (1900); *In re Castle Braid Co.*, 145 F. 224, 231 (S.D.N.Y. 1906); *Western Union Tel. Co. v. American Communications Ass'n, C.I.O.*, 299 N.Y. 177, 188 (1949); *Hendler & Murray v. Lambert*, 147 A.D. 2d 444, 537 N.Y.S. 2d 560, 563 (2nd Dept.), *app. denied*, 74 N.Y. 2d 603, 543 N.Y.S. 2d 396 (1989); *Mulligan v. Fioravera*, 228 A.D. 270, 239 N.Y.S. 438, 441 (1st Dept.), *aff'd*, 255 N.Y. 539 (1930); *Mendelsohn v. A & D Catering Corp.*, 119 Misc. 2d 581, 464 N.Y.S. 2d 331, 334 (Sup. Ct. Kings Cty. 1983), *aff'd*, 100 A.D. 2d 209, 437 N.Y.S. 2d 481 (2nd Dept. 1984); *Terrace Sav. & Loan Ass'n v. Martin*, 236 N.Y.S. 2d 674, 677 (Sup. Ct. Kings Cty. 1963).

Respondents' rights under the Basic Agreement can be performed lawfully, *i.e.* without violating constitutional principles or federal copyright policy. Simply distributing the Film in 2037 (after the Film enters the public domain) does no violence to public policy, and Respondents have never argued and, indeed, could not argue, that under the Basic Agreement Respondents have the right, or even the ability, to prevent any third party from exercising copyright rights relating to the Film.[25] Moreover, Petitioner has

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25. Indeed, Respondents have all along acknowledged that Turner would not have "exclusive" distribution rights as against third parties after the termination of all copyright protection. That is precisely why MGM's exclusive and perpetual right of access to the original film elements was of value to them. As noted above, even after copyright protection expires, anyone will be able to copy and distribute the Film, (Cont'd)

completely failed to prove, in accordance with *Shedlinsky* and the other cases cited above, that both parties intended when they entered into the Basic Agreement that copyright policy would be violated at some point. Accordingly, Petitioner has failed to meet its burden of proving that the Basic Agreement is void as against public policy.

Petitioner has articulated no clear and substantial injury to the public flowing from the rights granted under the Basic Agreement. Petitioner merely states, without explanation or justification, that public policy will be violated by the grant of distribution rights at issue. As noted above, Petitioner's only tactic is to set up the straw man of a "perpetual copyright monopoly" and argue that perpetual copyright grants are unconstitutional and contrary to public policy. Merely arguing that there is a potential, hypothetical conflict between the Basic Agreement and copyright policy is insufficient to warrant a finding that the Basic Agreement is void.

(Cont'd)

but *only* MGM was to have the ability to make first generation theatrical prints by virtue of the continued exclusive access to the original film elements, as provided in the Basic Agreement (¶11, p. 49a). This substantial advantage over third parties was clearly based on a contractual right which would *not* terminate with copyright protection.

CONCLUSION

For all of the foregoing reasons, Respondents submit that Petitioner's request for a grant of a Writ of Certiorari should be denied in its entirety.

Respectfully submitted,

STEPHEN F. HUFF
Counsel of Record
TOM J. FERBER
PAIGE A. MOORE
PRYOR CASHMAN SHERMAN
& FLYNN LLP
Attorneys for Respondents
410 Park Avenue
New York, New York 10022
(212) 421-4100

Supreme Court, U.S.
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No. 98-496

In The

Supreme Court of The United States

October Term, 1998

P.C. FILMS CORP.,

Petitioner,

- against -

MGM/UA HOME VIDEO INC.,
MGM/UA COMMUNICATIONS CO.,
WARNER HOME VIDEO, INC.,
TURNER ENTERTAINMENT CO,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

PETITIONER'S REPLY BRIEF

CARL I. KAMINSKY
Counsel of Record
LAW OFFICES OF CARL I. KAMINSKY
Attorneys for Petitioner
295 Madison Avenue - Suite 1700
New York, New York 10017
(212) 599-0487

Appeal Press - (914) 761-3600 (212) 267-6602 (516) 872-1110 (6104)

14PP

TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

I. CONSTITUTIONAL ISSUES: RESPONDENTS ARE ERRONEOUS AND INACCURATE IN INTERPRETING *GOLDSTEIN v. CALIFORNIA* AND ARE ERRONEOUS AND INACCURATE IN CONTENDING THAT THE POST EXPIRATION PERIOD OF THE COPYRIGHT IS A DEFERRED CONSTITUTIONAL QUESTION 1

A. *Goldstein v. California* 1

B. Restrictions After the Expiration of the Copyright 2

II. STATE RULES OF THE INTERPRETATION OF CONTRACTS WITH RESPECT TO THE DURATION AND NATURE OF COPYRIGHT RIGHTS ARE GOVERNED SOLELY BY FEDERAL COPYRIGHT LAW 5

III. THERE IS NO EVIDENCE IN THE RECORD THAT MGM WANTED THE RENEWAL TERM 7

IV. RESPONDENTS ARE IN ERROR IN ASSERTING THAT CUSTOM IS MORE IMPORTANT THAN THE INTEGRITY OF THE COPYRIGHT SYSTEM 8

CONCLUSION 10

TABLE OF AUTHORITIES

Page

CASES:

Brullote v. Thys Co., 379 U.S. 29, 85 S.Ct. 176 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965) 4

Goldstein v. California, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973) 1,2,4

Manners v. Morosco, 252 U.S. 317, 66 S.Ct. 101 (1920) 9

P.C. Films Corp. v. MGM/UA Home Video, Inc., 138 F.3d 453 at 457 (2d Cir. 1998) . 5

P.C. Films Corp. v. Turner Entertainment Co., 954 F.Supp. 711 (S.D.N.Y.1997) . . . 8

Rano v. Sipa Press, Inc., 987 F.2d 580 (9th Cir. 1993) 9

S.O.S. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989) . . 6,9

Viacom Int'l., Inc. v. Tandem Prods., Inc., 368 F.Supp. 1264 (S.D.N.Y. 1974), *aff'd*, 526 F.2d 593 (2d Cir. 1975) . 9

Wheaton v. Peters, 33 U.S. (8 Peters) 591 (1831) 2

STATUTES: Page

17 U.S.C. § 301 (1996) 2

17 U.S.C. § 301(a) (1996) 2

17 U.S.C. § 302(c) (1996) 9

17 U.S.C. § 304(a) (1988), *amended in 1992* by 17 U.S.C. § 304(a)(i)(A),(B),(C) (1996) 6

OTHER AUTHORITIES:

3 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 10.10[F] and *fn.* 4.61 (May 1998) 9

I. CONSTITUTIONAL ISSUES: RESPONDENTS ARE ERRONEOUS AND INACCURATE IN INTERPRETING *GOLDSTEIN v. CALIFORNIA* AND ARE ERRONEOUS AND INACCURATE IN CONTENDING THAT THE POST EXPIRATION PERIOD OF THE COPYRIGHT IS A DEFERRED CONSTITUTIONAL QUESTION

A. *Goldstein v. California*

Respondents stated that "[A]lthough *Goldstein* was later *superseded* by Section 301 of the 1976 Act, it is interesting to note that the Court found no conflict between a state statute of unlimited duration and federal copyright law or policy." Respondents' Brief, p. 15.[1]

Respondents' interpretation of *Goldstein v. California* is novel but it is erroneous. The California statute of unlimited duration was not subject to pre-emption since the copyrighted work at issue was not covered by a federal copyright statute. California was not barred from enacting legislation protecting the work, to wit, a sound recording.

However, when Congress enacts legislation covering the subject matter of a copyrighted work, then no state statute of unlimited duration shall survive the pre-emption doctrine. Furthermore, despite Respondents' erroneous assertion, *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973) was not superseded by § 301 of the Copyright Act of 1976. 17

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[1] Reference to Respondents' Brief in Opposition is hereinafter referred to as "RB."

U.S.C. § 301 (1996). Section 301(a) applies to subject works unpublished before January 1, 1978 and works published or created after December 31, 1977. 17 U.S.C. § 301(a) (1996) (**31a**).

Goldstein v. California did not deal with the unlawful perpetual duration of a federal copyrighted work or the nature of contractually created rights with respect to a copyrighted work. Petitioner respectfully submits that the holding of *Goldstein v. California* should be extended to stand for the proposition that contracting parties cannot substitute contractually created rights and obligations of perpetual duration for copyright rights of limited duration under the Copyright Patent Clause. A perpetual duration of rights which do not exist under law cannot be used to give Respondents the right to exercise copyright rights.

Respondents' inaccurate and erroneous interpretation of *Goldstein v. California* results in a parallel copyright system which directly conflicts with the Copyright Patent Clause. *See Wheaton v. Peters*, 33 U.S. (8 Peters) 591 (1831).

B. Restrictions After the Expiration of the Copyright

The Second Circuit adopted a partial pre-emption doctrine of two terms of a copyright and then a period of public domain subject to a deferred question of whether there are any restrictions on Petitioner after the expiration of the copyright.

Petitioner respectfully submits that the Second Circuit's partial pre-emption

doctrine is erroneous. However, the Respondents contend that there is no constitutional question because of the Second Circuit's decision that any restrictions that are imposed on Petitioner by the Basic Agreement will not be decided until after the expiration of the renewal term of the copyright.

However, despite Respondents' argument in Point I that the constitutional question should be deferred, Respondents have raised the constitutional issue. In Point III, Respondents argue:

> Conspicuously absent from Petitioner's arguments is any explanation as to how an agreement between two private entities will impose any kind of impermissible restriction on the public's rights once the Film enters the *public* domain.

(RB 22).

Petitioner respectfully submits that subsequent to the expiration of the copyright, any party can then exploit the formerly copyrighted protected work. Petitioner itself can exploit the formerly copyrighted work free of any claim by Respondents that Petitioner's conduct is in breach of the contract to the extent that such contractual provisions conflict with the Copyright Patent Clause, the Supremacy Clause and copyright policy. *See Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 St.Ct. 27 (1973); *Brullote v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965).

This Court stated in *Brulotte v. Thys Co.*, 379 U.S. 29 at 32, 85 S.Ct. 176 at 179 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965).

> In light of those considerations, we conclude that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se. If that device were available to patentees, the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there.

Therefore, during public domain, Petitioner an exercise any right with respect to the formerly protected copyrighted work in the same manner as any member of the public if the contractual provisions conflict with the Copyright Patent Clause, the Supremacy Clause and copyright policy.

There is no breach of contract issue before this Court. What is involved is whether subsequent to the expiration of the copyright Petitioner can exercise rights with respect to such work despite the contractual provisions which conflict with the Copyright Patent Clause, the Supremacy Clause and copyright policy.

II. STATE RULES OF INTERPRETATION OF CONTRACTS WITH RESPECT TO THE DURATION AND NATURE OF COPYRIGHT RIGHTS ARE GOVERNED SOLELY BY FEDERAL COPYRIGHT LAW

Petitioner respectfully submits that state contractual rules cannot be used to evade the Copyright Patent Clause, the

Supremacy Clause and the applicable Copyright Act.

Petitioner is the proprietor and owner of the copyright and was the sole party entitled by law to renew the copyright. Petitioner was not required to renew the copyright. The Second Circuit acknowledged that there is a presumption in Petitioner's favor in the determination of which party is entitled to exercise Petitioner's statutory rights during the renewal term. *P.C. Films v. MGM/UA Home Video, Inc.*, 138 F.3d 453, 457 (2d Cir. 1998). (**9a**).

The Second Circuit rejected Petitioner's analysis that if a copyright right is a limited monopoly as to nature. Then a perpetual duration of a contractually created right equivalent to a copyright right is a perpetual monopoly as to nature.

The Second Circuit, in lieu of pre-empting the unlawful perpetual duration of the copyright rights, adopted a novel partial pre-emption doctrine, to wit, an initial term, and if the copyright right was properly renewed, a renewal term, then public domain subject to a determination of any restrictions in the Basic Agreement after the expiration of the copyright.

The Second Circuit used such unlawful perpetual duration as a state contractual canon of intent to enable Respondents to exercise Petitioner's copyright rights during the renewal term.

The unlawful perpetual duration should have been pre-empted from the inception of the Basic Agreement. Upon pre-emption the Second Circuit should have substituted §

304(a) of the Copyright Act of 1976 which was in effect at the time of the renewal of Petitioner's copyright. 17 U.S.C. § 304(a) (1988), *amended in 1992* by 17 U.S.C. § 304(a)(i)(A),(B),(C) (1996). The use of the pre-empted unlawful perpetual duration cannot be used as a canon of contractual intent because of the limited duration in the Copyright Patent Clause and the applicable Copyright Act as well as the Supremacy Clause. The use of perpetual duration of a copyright as a canon of contractual intent is an end run to evade the Copyright Patent Clause. *S.O.S. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

The saving or terminating of a contract should not be the paramount concern in determining whether the unlawful perpetual duration of a copyright right should be used as a canon of contractual intent to determine whether Petitioner or Respondents are entitled to exercise Petitioner's copyright rights during the renewal term.

Therefore, Benjamin Melniker's testimony of perpetual distribution rights (not copyright rights) and the dictionary definition of perpetual cannot alter federal copyright law. There was no reference to the renewal term in the Basic Agreement because MGM did not want the renewal term. Respondents' admission in open court "...we were not acquiring copyright rights" is more pertinent than an artificial and erroneous reference to a non-pre-empted perpetual duration to save a contract. The fact remains that Respondents by their own admission never wanted to obtain copyright rights.

Furthermore, there is a fundamental

difference between an assignment and a license. When an assignment is involved, the period of a duration and nature of a copyright right is governed by the applicable copyright statute. A license of copyright right pursuant to a contract is different from an assignment because the contract provisions define the duration and nature of the copyright rights. Such provisions are governed by federal law as to nature and duration.

III. THERE IS NO EVIDENCE IN THE RECORD THAT MGM WANTED THE RENEWAL TERM

With respect to the renewal process, Respondents justified Respondent Turner's filing of a false renewal registration in the name of Turner and Bronston. The consequences of such false document was an erroneous chain of title. Turner has refused to remove the wrongful renewal certificate. Furthermore, Respondent was not a proprietor or co-author of the copyright. Why did Turner name Bronston as the co-author when Turner knew that Petitioner was the assignee of Bronston's copyright since 1967?

The Second Circuit justified its holding by reasoning that on August 4, 1960, the signing of the Basic Agreement, Bronston would have been expected to renew the copyright because of its retained rights consisting of sequel, remake and novelization rights. The Second Circuit was in error by not realizing that such rights were without value because the subject matter was in the public domain. Furthermore, it would be very doubtful that a sequel to the Picture would have been made. All of Respondents' arguments adopted by the Second Circuit are

erroneous. Petitioner renewed its copyright so it could exploit the Picture, not to make a sequel of the Picture about the life of Jesus Christ or cause a novel to be written.

IV. RESPONDENTS ARE IN ERROR IN ASSERTING THAT CUSTOM IS MORE IMPORTANT THAN THE INTEGRITY OF THE COPYRIGHT SYSTEM

Respondents concern for the validity of Petitioner's argument is without merit. The case at bar involves the Copyright Patent Clause, the Supremacy Clause and the applicable Copyright Act, not a implied plea for favoritism by sympathy. The District Court adopted Respondents' pleas. *P.C. Films Corp. v. Turner Entertainment Co.*, 954 F.Supp. 711, 716 (S.D.N.Y. 1997) (**23a**). The District Court was in error. There is no agreement or any expert testimony in the record.

What is more important is that since January 1, 1978, the Copyright Act provides for one term. 17 U.S.C. § 302(c) (1996). The usual practice in the creation and exploitation of a motion picture is that motion pictures are created by independent producers who license them to a distributor to exploit the motion picture. Motion pictures are created and financed in California which is within the Ninth Circuit. Under the pre-emption doctrine adopted by the Ninth Circuit in *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), the Federal District Court within the Ninth Circuit would have pre-empted the entire perpetual term and would apply the unitary term pursuant to § 302(c) of the Copyright Act of 1976 unless there is evidence to the contrary. 17 U.S.C. § 302(c) (1996).

Manners v. Morosco, 252 U.S. 317, 66 S.Ct. 101 (1920); *Viacom Int'l., Inc. v. Tandem Prods., Inc.*, 368 F.Supp. 1264 (S.D.N.Y. 1974), *aff'd*, 526 F.2d 593 (2d Cir. 1975); 3 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 10.10[F] and *fn.* 4.61 (May 1998).

If a motion picture was published before January 1, 1978, the pre-emption doctrine set forth in *Rano v. Sipa Press, Inc.* and interpretation of the duration and nature of copyright rights in contractual language would be governed by Federal Copyright Law and policy. *Rano v. Sipa Press*,987 F.2d 580 (9th Cir. 1993) and *S.O.S. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

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CONCLUSION

Petitioner respectfully submits that this Court should grant a Writ of Certiorari. Respondents' arguments have failed to justify the use of contract rights, obligations and duration as well as canons of interpretation which conflict with the Copyright Patent Clause, the Supremacy Clause and the applicable Copyright Act. Furthermore, Respondents have failed to resolve the conflict amongst the Circuits.

Dated: New York, New York
November 4, 1998

Respectfully submitted,
Carl I. Kaminsky
Counsel of Record
Attorney for Petitioner
295 Madison Avenue
New York, New York 10017
(212) 599-0487